

**WEST MICHIGAN ACADEMY OF  
ENVIRONMENTAL SCIENCE**

**REPORT ON FINANCIAL STATEMENTS  
(with required supplementary information)**

**YEAR ENDED JUNE 30, 2018**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
West Michigan Academy of Environmental Science

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of West Michigan Academy of Environmental Science, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the West Michigan Academy of Environmental Science's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of West Michigan Academy of Environmental Science as of June 30, 2018 and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2018 of our consideration of West Michigan Academy of Environmental Science's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of West Michigan Academy of Environmental Science's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering West Michigan Academy of Environmental Science's internal control over financial reporting and compliance.

*Manes Costeiron PC*

October 3, 2018

## MANAGEMENT’S DISCUSSION AND ANALYSIS

This section of West Michigan Academy of Environmental Science’s annual financial report presents our discussion and analysis of the public school Academy’s financial performance during the fiscal year that ended on June 30, 2018. Please read it in conjunction with the Academy’s financial statements, which immediately follow this section.

### Financial Highlights

- The Academy had an increase in the fund balance for the general fund of \$87,696. This gives the Academy a fund balance in the general fund of \$2,320,702.
- The Academy invested \$162,361 in capital assets during the year.
- Enrollment increased by approximately 19 students from the prior year.
- The Academy reduced its outstanding debt by \$145,689.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts - management’s discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Academy:

- The first two statements are Academy-wide *financial statements* that provide both short-term and long-term information about the Academy’s overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the Academy, reporting the Academy’s operations in more detail than the Academy-wide statements.
- The *governmental funds* statements tell how basic services like regular and special education were financed in the short-term as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the Academy’s budget for the year. Figure A-1 shows how the various parts of the annual report are arranged and related to one another.

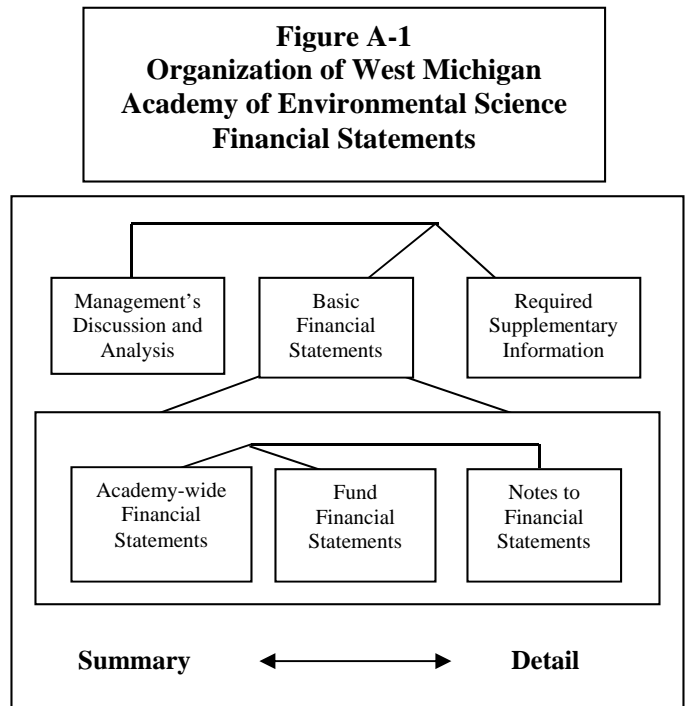


Figure A-2 summarizes the major features of the Academy’s financial statements, including the portion of the Academy’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights the structure and contents of each of the statements.

**Figure A-2 Major Features of the Academy-wide and Fund Financial Statements**

	Academy-wide statements	Governmental funds
Scope	Entire Academy (except fiduciary funds)	All activities of the academy that are not fiduciary such as special education and building maintenance
Required financial statements	* Statement of net position * Statement of activities	* Balance sheet * Statement of revenues, expenditures and changes in fund balances
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable

**Academy-wide statements**

The Academy-wide statements report information about the Academy as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the Academy’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two Academy-wide statements report the Academy’s net position and how they have changed. Net position - the difference between the Academy’s assets and liabilities is one way to measure the Academy’s financial health or position.

- Over time, increases or decreases in the Academy’s net position is an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the Academy, you need to consider additional non-financial factors such as changes in the Academy’s enrollment, the condition of school buildings and other facilities, and the Academy’s ability to be competitive with other public school academies and area school districts.

Governmental activities - The Academy's basic services are included here, such as regular and special education and administration. State foundation aid finances most of these activities.

### **Fund financial statements**

The fund financial statements provide more detailed information about the Academy's funds, focusing on its more significant or "major" funds - not the Academy as a whole. Funds are accounting devices the Academy uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law.
- The Academy establishes other funds to control and manage money for particular purposes (like repaying its long-term debts) or show that it is properly using certain revenues (like food service).

All of the Academy's basic services are included in governmental funds which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out, and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Academy's programs. Because this information does not encompass the additional long-term focus of the Academy-wide statements, we provide additional information with the governmental funds statement that explains the relationship (or differences) between them.

### **Financial analysis of the Academy as a whole**

Net position - the Academy's combined net position of \$6,533,605 increased by \$69,154 during the year. See Figures A-3 and A-4.

The total revenues increased by 1.17% to \$7,176,186. State aid foundation allowance included in revenue from state sources accounts for 80.68% of the Academy's revenue. The blended enrollment increased 19 students in 2018 to 752 students. The primary increase in revenues was due to an increase in enrollment.

The total cost of instruction increased by 6.45% to \$3,550,388. Total support services increased by 2.12% to \$2,473,613. Both increases are due to increases in student enrollment.

Academy governmental activities

<b>Figure A-3</b>		
<b>West Michigan Academy of Environmental Science's Net Position</b>		
	2018	2017
Current and other assets	\$ 4,144,220	\$ 3,995,354
Capital assets	10,529,954	10,640,651
Total assets	<u>14,674,174</u>	<u>14,636,005</u>
Other liabilities	963,978	849,274
Long-term liabilities outstanding	7,176,591	7,322,280
Total liabilities	<u>8,140,569</u>	<u>8,171,554</u>
Net position:		
Net investment in capital assets	3,353,363	3,318,371
Restricted for debt service	240,134	238,474
Unrestricted	2,940,108	2,907,606
Total net position	<u>\$ 6,533,605</u>	<u>\$ 6,464,451</u>

<b>Figure A-4</b>		
<b>Changes in West Michigan Academy of Environmental Science's Net Position</b>		
	2018	2017
Revenues:		
Program revenues:		
Federal and state categorical grants	\$ 1,131,666	\$ 1,135,004
Charges for services	91,245	94,093
General revenues:		
State aid - unrestricted	5,789,473	5,594,788
Investment earnings	6,776	3,444
Incoming transfers and other	157,026	266,134
Total general revenues	<u>5,953,275</u>	<u>5,864,366</u>
Total revenues	<u>7,176,186</u>	<u>7,093,463</u>
Expenses:		
Instruction	3,550,388	3,335,155
Support services	2,473,613	2,422,282
Community services	51,477	56,035
Food services	347,410	303,434
Debt services	-	29,234
Interest and fees on long-term debt	411,086	449,317
Unallocated depreciation	273,058	255,665
Total expenses	<u>7,107,032</u>	<u>6,851,122</u>
Change in net position	<u>\$ 69,154</u>	<u>\$ 242,341</u>



**Financial analysis of the Academy’s funds**

The financial operation of the Academy is considered stable. The fund balance of the general fund at June 30, 2018 is \$2,320,702. There was a 1.44% increase in general fund revenue, a 5.56% increase in expenditures for instructional programs, and an increase of 3.60% in expenditures for support services. Expenditure increases in both instructional programs and support services were the result of natural cost increases caused by increased enrollment.

The general fund transferred \$100,000 to the capital projects fund to cover expenditures related to the new building addition and \$60,113 to service the special revenue fund to cover operating costs incurred. The general fund also transferred \$557,461 to the debt service fund related to pay the annual principal and interest on the long-term debt.

**General fund budgetary highlights**

Over the course of the year, the Academy revised the general fund annual operating budget to stay within its budgetary plan.

While the Academy’s final budget for the general fund anticipated revenues would exceed expenditures and other financing uses by \$38,648, the actual results for the year showed an increase in fund balance of \$87,696.

Actual revenues were \$2,821 less than budgeted.

Actual expenditures were \$63,534 under budget primarily due to unspent grant funds and successful budget monitoring.

**Capital asset and debt administration**

**Capital assets**

As of June 30, 2018, the Academy had invested \$10,529,954 in capital assets net of accumulated depreciation as summarized in Figure A-5. This amount represents a net decrease of \$110,697 from the beginning of the year. Total depreciation expense for the year was \$273,058. More detailed information about capital assets can be found in Note 3 to the financial statements.

The Academy’s capital assets are as follows:

<b>Figure A-5</b>				
<b>West Michigan Academy of Environmental Science's Capital Assets</b>				
	<b>2018</b>			<b>2017</b>
	<b>Cost</b>	<b>Accumulated depreciation</b>	<b>Net book value</b>	<b>Net book value</b>
Buildings	\$ 10,389,997	\$ 1,194,961	\$ 9,195,036	\$ 9,277,366
Furniture and equipment	341,827	239,292	102,535	109,324
Technology	243,942	211,559	32,383	49,460
Vehicles	69,015	69,015	-	4,501
Land	1,200,000	-	1,200,000	1,200,000
<b>Total</b>	<b>\$ 12,244,781</b>	<b>\$ 1,714,827</b>	<b>\$ 10,529,954</b>	<b>\$ 10,640,651</b>

**Long-term debt**

The Academy reduced its outstanding debt by \$145,689 and paid \$411,773 in interest relating to this debt.

**Factors bearing on the Academy's future**

At the time these financial statements were prepared and audited, the Academy was aware of existing circumstances that could significantly affect its financial health in the future.

- The Academy has adopted a general fund budget for the 2018/2019 school year in which revenues exceed expenditures by \$92,693.

**Contacting the Academy's financial management**

This financial report is designed to provide our students, parents and creditors with a general overview of the Academy's finances and to demonstrate the Academy's accountability for the money it receives. If you have questions about this report or need additional information, contact the Academy's management company, Choice Schools Associates, at P.O. Box 141493, Grand Rapids, Michigan, 49514. Phone (616) 785-8440.

## **BASIC FINANCIAL STATEMENTS**

**WEST MICHIGAN ACADEMY OF ENVIRONMENTAL SCIENCE  
STATEMENT OF NET POSITION  
JUNE 30, 2018**

	<b>Governmental activities</b>
<b>ASSETS:</b>	
Cash and cash equivalents	\$ 2,096,782
Receivables:	
Accounts receivable	7,129
Intergovernmental receivable	1,483,601
Prepays	278,194
Restricted cash - debt service	278,514
Capital assets not being depreciated	1,200,000
Capital assets, net of accumulated depreciation	9,329,954
<b>TOTAL ASSETS</b>	<b>14,674,174</b>
<b>LIABILITIES:</b>	
Accounts payable	238,792
Accrued interest	33,472
Accrued salaries and related items	430,455
Other accrued expenses	32,684
Unearned revenue	228,575
Noncurrent liabilities:	
Due within one year	157,514
Due in more than one year	7,019,077
<b>TOTAL LIABILITIES</b>	<b>8,140,569</b>
<b>NET POSITION:</b>	
Net investment in capital assets	3,353,363
Restricted for debt service	240,134
Unrestricted	2,940,108
<b>TOTAL NET POSITION</b>	<b>\$ 6,533,605</b>

**WEST MICHIGAN ACADEMY OF ENVIRONMENTAL SCIENCE  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2018**

<u>Functions/programs</u>	<u>Expenses</u>	<u>Program revenues</u>		<u>Governmental activities</u>
		<u>Charges for services</u>	<u>Operating grants</u>	<u>Net (expense) revenue and changes in net position</u>
Governmental activities:				
Instruction	\$ 3,550,388	\$ -	\$ 752,932	\$ (2,797,456)
Support services	2,473,613	-	121,354	(2,352,259)
Community services	51,477	58,575	2,753	9,851
Food services	347,410	32,670	254,627	(60,113)
Interest	411,086	-	-	(411,086)
Unallocated depreciation	273,058	-	-	(273,058)
Total governmental activities	<u>\$ 7,107,032</u>	<u>\$ 91,245</u>	<u>\$ 1,131,666</u>	<u>(5,884,121)</u>
General revenues:				
Investment earnings				6,776
State sources - unrestricted				5,789,473
Incoming transfers from Kent ISD				88,301
Other				<u>68,725</u>
Total general revenues				<u>5,953,275</u>
<b>CHANGE IN NET POSITION</b>				69,154
<b>NET POSITION, beginning of year</b>				<u>6,464,451</u>
<b>NET POSITION, end of year</b>				<u>\$ 6,533,605</u>

**WEST MICHIGAN ACADEMY OF ENVIRONMENTAL SCIENCE  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2018**

<b>ASSETS</b>	<b>General fund</b>	<b>Debt service fund</b>	<b>Capital projects fund</b>	<b>Nonmajor governmental (special revenue) fund</b>	<b>Total governmental funds</b>
<b>ASSETS:</b>					
Cash and cash equivalents	\$ 2,096,782	\$ -	\$ -	\$ -	\$ 2,096,782
Receivables:					
Accounts receivable	7,129	-	-	-	7,129
Intergovernmental receivable	1,483,601	-	-	-	1,483,601
Prepays	278,194	-	-	-	278,194
Due from other funds	-	-	619,406	39,347	658,753
Restricted cash - debt service	-	278,514	-	-	278,514
<b>TOTAL ASSETS</b>	<b>\$ 3,865,706</b>	<b>\$ 278,514</b>	<b>\$ 619,406</b>	<b>\$ 39,347</b>	<b>\$ 4,802,973</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES:</b>					
Accounts payable	\$ 199,445	\$ -	\$ -	\$ 39,347	\$ 238,792
Accrued salaries and related items	430,455	-	-	-	430,455
Other accrued expenses	32,684	-	-	-	32,684
Unearned revenue	228,575	-	-	-	228,575
Due to other funds	653,845	4,908	-	-	658,753
<b>TOTAL LIABILITIES</b>	<b>1,545,004</b>	<b>4,908</b>	<b>-</b>	<b>39,347</b>	<b>1,589,259</b>

See notes to financial statements.

	<u>General fund</u>	<u>Debt service fund</u>	<u>Capital projects fund</u>	<u>Nonmajor governmental (special revenue) fund</u>	<u>Total governmental funds</u>
<b>FUND BALANCES:</b>					
Nonspendable:					
Prepays	\$ 278,194	\$ -	\$ -	\$ -	\$ 278,194
Restricted:					
Debt service	-	273,606	-	-	273,606
Assigned for capital projects	-	-	619,406	-	619,406
Unassigned	<u>2,042,508</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,042,508</u>
<b>TOTAL FUND BALANCES</b>	<u>2,320,702</u>	<u>273,606</u>	<u>619,406</u>	<u>-</u>	<u>3,213,714</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 3,865,706</u></u>	<u><u>\$ 278,514</u></u>	<u><u>\$ 619,406</u></u>	<u><u>\$ 39,347</u></u>	<u><u>\$ 4,802,973</u></u>
<b>Total governmental fund balances</b>					\$ 3,213,714
Amounts reported for governmental activities in the statement of net position are different because:					
Capital assets used in governmental activities are not financial resources and are not reported in the funds:					
The cost of the capital assets is				\$ 12,244,781	
Accumulated depreciation is				<u>(1,714,827)</u>	10,529,954
Long-term liabilities are not due and payable in the current period and are not reported in the funds:					
Long-term debt					(7,176,591)
Accrued interest is not included as a liability in governmental funds, it is recorded when paid					<u>(33,472)</u>
<b>Net position of governmental activities</b>					<u><u>\$ 6,533,605</u></u>

See notes to financial statements.

**WEST MICHIGAN ACADEMY OF ENVIRONMENTAL SCIENCE**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2018**

	<b>General fund</b>	<b>Debt service fund</b>	<b>Capital projects fund</b>	<b>Nonmajor (special revenue) fund</b>	<b>Total governmental funds</b>
<b>REVENUES:</b>					
Local sources:					
Food service sales	\$ -	\$ -	\$ -	\$ 32,670	\$ 32,670
Investment income	5,802	974	-	-	6,776
Other	129,089	-	-	-	129,089
Total local sources	134,891	974	-	32,670	168,535
State sources	6,277,976	-	-	1,105	6,279,081
Federal sources	386,747	-	-	253,522	640,269
Incoming transfers	88,301	-	-	-	88,301
Total revenues	6,887,915	974	-	287,297	7,176,186
<b>EXPENDITURES:</b>					
Current:					
Instruction:					
Basic programs	3,019,871	-	-	-	3,019,871
Added needs	541,167	-	-	-	541,167
Total instruction	3,561,038	-	-	-	3,561,038
Support services:					
Pupil	248,909	-	-	-	248,909
Instructional staff	203,191	-	-	-	203,191
General administration	867,267	-	-	-	867,267
School administration	548,385	-	-	-	548,385
Business services	2,591	-	-	-	2,591
Operation and maintenance	462,114	-	-	-	462,114
Pupil transportation services	37,494	-	-	-	37,494
Central support services	76,789	-	-	-	76,789
Athletics	23,390	-	-	-	23,390
Total support services	2,470,130	-	-	-	2,470,130

See notes to financial statements.



	<b>General fund</b>	<b>Debt service fund</b>	<b>Capital projects fund</b>	<b>Nonmajor (special revenue) fund</b>	<b>Total governmental funds</b>
<b>EXPENDITURES (Concluded):</b>					
Current (Concluded):					
Custody and care of children	\$ 51,477	\$ -	\$ -	\$ -	\$ 51,477
Food service	-	-	-	347,410	347,410
Capital outlay	-	-	155,194	-	155,194
Debt service:					
Principal retirement	-	145,689	-	-	145,689
Interest	-	411,773	-	-	411,773
Total expenditures	<u>6,082,645</u>	<u>557,462</u>	<u>155,194</u>	<u>347,410</u>	<u>7,142,711</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>805,270</u>	<u>(556,488)</u>	<u>(155,194)</u>	<u>(60,113)</u>	<u>33,475</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in	-	557,461	100,000	60,113	717,574
Transfers out	<u>(717,574)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(717,574)</u>
Total other financing sources (uses)	<u>(717,574)</u>	<u>557,461</u>	<u>100,000</u>	<u>60,113</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	87,696	973	(55,194)	-	33,475
<b>FUND BALANCES:</b>					
Beginning of year	<u>2,233,006</u>	<u>272,633</u>	<u>674,600</u>	<u>-</u>	<u>3,180,239</u>
End of year	<u>\$ 2,320,702</u>	<u>\$ 273,606</u>	<u>\$ 619,406</u>	<u>\$ -</u>	<u>\$ 3,213,714</u>

See notes to financial statements.

**WEST MICHIGAN ACADEMY OF ENVIRONMENTAL SCIENCE  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2018**

**Net change in fund balances total governmental funds** \$ 33,475

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. In the statement of activities these costs are allocated over their estimated useful lives as depreciation:

Depreciation expense	(273,058)
Capital outlay	162,361

The issuance of long-term debt provides current financial resources to governmental funds, while repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. The effect of this difference is the treatment of long-term debt and is as follows:

Principal repayment	145,689
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Accrued interest on long-term debt is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:

Accrued interest payable, beginning of the year	34,159
Accrued interest payable, at year end	(33,472)

<b>Change in net position of governmental activities</b>	<b>\$ 69,154</b>
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**WEST MICHIGAN ACADEMY OF ENVIRONMENTAL SCIENCE  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of Government-wide Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Academy. The Academy currently does not have fiduciary activities. *Governmental activities* normally are supported by intergovernmental revenues.

**B. Reporting Entity**

West Michigan Academy of Environmental Science (the “Academy”) is a public school academy as part of the Michigan Public School System under Public Act No. 362 of 1993. Central Michigan University is the authorizing governing body for the Academy and has contracted with the Academy to charter the public school through June 2021. Board members are approved by the authorizing governing body and have decision making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. The Academy receives funding from local, state, and federal sources and must comply with all of the requirements of these funding source entities. However, the Academy is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. In addition, the Academy’s reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statements.

**C. Basis of Presentation - Government-wide Financial Statements**

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

**D. Basis of Presentation - Fund Financial Statements**

The fund financial statements provide information about the Academy’s funds. Separate statements for each fund category are presented. The emphasis of fund financial statements is on major governmental funds. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

**WEST MICHIGAN ACADEMY OF ENVIRONMENTAL SCIENCE  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Basis of Presentation - Fund Financial Statements (Concluded)**

The Academy reports the following major governmental funds:

The *general fund* is the Academy's primary operating fund. It accounts for all financial resources of the Academy, except those required to be accounted for in another fund.

The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term debt of governmental funds.

The *capital projects fund* accounts for the acquisition of capital assets or construction of major capital projects.

The Academy reports the following nonmajor governmental fund:

The *special revenue fund* accounts for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The Academy accounts for its food service activity in a special revenue fund.

During the course of operations the Academy has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

**E. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

**WEST MICHIGAN ACADEMY OF ENVIRONMENTAL SCIENCE  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Measurement Focus and Basis of Accounting (Continued)**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Academy considers revenues to be available if they are generally collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

State and federal aid, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amounts is received during the period or within the availability period for this revenue source (within 60 days of year-end).

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to public school academies based on information supplied by the academies.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills on Principal Residence Exemption (PRE) property and an allocated portion of state sales and other taxes. The state revenue is recognized during the foundation period and is funded through payments from October to August. Thus, the unpaid portion at June 30 is reported as an intergovernmental receivable.

**WEST MICHIGAN ACADEMY OF ENVIRONMENTAL SCIENCE  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Measurement Focus and Basis of Accounting (Concluded)**

The Academy also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received and accrued, which are not expended by the close of the fiscal year are recorded as unearned revenue.

All other revenue items are generally considered to be measurable and available only when cash is received by the Academy.

**F. Budgetary Information**

Budgetary basis of accounting:

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and special revenue fund.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executor) contracts for goods or services (i.e., purchase orders, contracts, and commitments). The Academy does not utilize encumbrance accounting.

The Academy follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Chief Administrative Officer (CAO) submits to the Board of Directors a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Prior to July 1, the budget is legally adopted by Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, in the general fund are noted in the required supplementary information section.

**WEST MICHIGAN ACADEMY OF ENVIRONMENTAL SCIENCE  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Budgetary Information (Concluded)**

3. Transfers may be made for budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the Board of Directors.
4. The budget was amended during the year with supplemental appropriations, the last one approved prior to year-end June 30, 2018. The Academy does not consider these amendments to be significant.

**G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance**

1. Cash and cash equivalents

The Academy's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of 3 months or less from the date of acquisition.

2. Investments

Certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. Standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Academy intends to hold the investment until maturity.

State statutes authorize the Academy to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The Academy is also authorized to invest in U.S. District or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

3. Prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

**WEST MICHIGAN ACADEMY OF ENVIRONMENTAL SCIENCE  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)**

4. Capital assets

Capital assets, as summarized below, are reported in the government-wide financial statements. Capital assets are defined by the Academy as assets with an initial, individual cost of more than \$5,000 and a useful life in excess of 1 year. Group purchases are evaluated on a case by case basis. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Land and construction in progress, if any, are not depreciated. Capital assets of the Academy are depreciated using the straight line method over the following estimated useful lives:

Capital asset classes	Lives
Building	15 - 50
Furniture and equipment	4 - 15
Technology	3 - 4
Vehicles	7 - 8

5. Deferred outflows

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until that time. The Academy has no items that qualify for reporting on this category.



**WEST MICHIGAN ACADEMY OF ENVIRONMENTAL SCIENCE  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)**

6. Deferred inflows

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Academy has no items that qualify for reporting in this category.

7. Net position flow assumption

Sometimes the Academy will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Academy's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

8. Fund balance flow assumptions

Sometimes the Academy will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the Academy's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

**WEST MICHIGAN ACADEMY OF ENVIRONMENTAL SCIENCE  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Concluded)**

9. Fund balance policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The Academy itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Academy's highest level of decision-making authority. The Board of Directors is the highest level of decision-making authority for the Academy that can, by adoption of a board action prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the board action remains in place until a similar action is taken (the adoption of another board action) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the Academy for specific purposes but do not meet the criteria to be classified as committed. Intent can be expressed by the Board of Directors or by an official or body to which the board of directors delegates authority. The Board of Directors may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

**H. Revenues and Expenditures/Expenses**

1. Program revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or segment. Unrestricted state aid, interest, and other internally dedicated resources are reported as general revenues rather than as program revenues.

**WEST MICHIGAN ACADEMY OF ENVIRONMENTAL SCIENCE  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)**

**H. Revenues and Expenditures/Expenses (Concluded)**

2. Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net position. Debt premiums and discounts are deferred and amortized over the life of the bonds using the straight line method which approximates the effective interest method over the term of the related debt. Debt issuance costs are reported as expenditures in the year in which they are incurred.

In the fund financial statements, governmental fund types recognize debt premiums and discounts, as well as issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**NOTE 2 - CASH DEPOSITS - CREDIT RISK**

**Custodial credit risk - deposits.** In the case of deposits, this is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. As of June 30, 2018, \$1,852,240 of the Academy's general fund bank balance of \$2,102,240 was exposed to custodial credit risk because it was uninsured and uncollateralized. Restricted cash - debt service contains debit service reserve deposits of \$278,514 at June 30, 2018 which are held by the mortgagee in the lender's name, of which, \$28,514, was exposed to custodial credit risk because it was uninsured and uncollateralized.

**WEST MICHIGAN ACADEMY OF ENVIRONMENTAL SCIENCE  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 3 - CAPITAL ASSETS**

A summary of changes in the Academy's capital assets follows:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,200,000	\$ -	\$ -	\$ 1,200,000
Capital assets, being depreciated:				
Buildings	10,246,436	143,561	-	10,389,997
Furniture and equipment	323,027	18,800	-	341,827
Technology	243,942	-	-	243,942
Vehicles	69,015	-	-	69,015
Total capital assets, being depreciated	10,882,420	162,361	-	11,044,781
Accumulated depreciation:				
Buildings	969,070	225,891	-	1,194,961
Furniture and equipment	213,703	25,589	-	239,292
Technology	194,482	17,077	-	211,559
Vehicles	64,514	4,501	-	69,015
Total accumulated depreciation	1,441,769	273,058	-	1,714,827
Net capital assets being depreciated	9,440,651	(110,697)	-	9,329,954
Net governmental capital assets	<u>\$ 10,640,651</u>	<u>\$ (110,697)</u>	<u>\$ -</u>	<u>\$ 10,529,954</u>

Depreciation for the fiscal year ended June 30, 2018 amounted to \$273,058. The Academy determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

**NOTE 4 - INTERGOVERNMENTAL RECEIVABLES**

Intergovernmental receivable at June 30, 2018 consist of the following:

State aid	\$ 1,120,413
Federal and state grants	242,962
Payments from ISD	120,226
	<u>\$ 1,483,601</u>

Amounts due from governmental units include amounts due from federal, state and local sources for various projects and programs.

Because of the Academy's favorable collection experience, no allowance for doubtful accounts has been recorded.

**WEST MICHIGAN ACADEMY OF ENVIRONMENTAL SCIENCE  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 5 - LONG-TERM DEBT**

The following is a summary of permanent loan notes payable to Capital Impact Partners for the year ended June 30, 2018.

Permanent loan note A, note payable to Capital Impact Partners originated in July 2016 with an original balance of \$7,000,000. The note bears an interest rate of 5.54%. Monthly principal and interest payments of \$43,476 are required until the note matures in August 2041. \$ 6,752,262

Subordinate loan note B, note payable to Capital Impact Partners originated in July 2016 with an original balance of \$437,500. The note bears an interest rate of 6.50%. Monthly principal and interest payments of \$2,956 are required until the note matures in August 2026. Payments will be amortized over a 25 year period with a 10 year balloon payment. 424,329

Total mortgage notes payable \$ 7,176,591

Interest expense for the fiscal ended June 30, 2018 totaled \$411,773.

The following is a summary of long-term obligation transactions of the Academy for the year ended June 30, 2018:

Balance, July 1, 2017	\$ 7,322,280
Repayments	<u>(145,689)</u>
Balance, June 30, 2018	7,176,591
Less due within one year	<u>157,514</u>
Due in more than one year	<u><u>\$ 7,019,077</u></u>

The above notes are collateralized by substantially all assets of the Academy including mortgage on the real property and subordination of management fees. Note B is subordinated to Note A. The notes are subject to financial covenants measured annually beginning with the fiscal year ending June 30, 2017, and require a debt service reserve fund of \$276,645 to be funded immediately and a replacement reserve be established beginning five years after the notes close (July 2021), funded at approximately \$1,000 per month. As of June 30, 2018 the Academy is in accordance with all debt covenants and the debt service reserve is properly funded. Early repayment of principle is subject to prepayment premiums based on the terms of the notes.

**WEST MICHIGAN ACADEMY OF ENVIRONMENTAL SCIENCE  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 5 - LONG-TERM DEBT (Concluded)**

The annual requirements to amortize the permanent loan notes payable outstanding as of June 30, 2018, including interest of \$5,454,221, are as follows:

Year ending June 30,	Principal	Interest	Total
2019	\$ 157,514	\$ 397,717	\$ 555,231
2020	164,766	388,779	553,545
2021	174,217	379,328	553,545
2022	184,212	369,333	553,545
2023	194,781	358,764	553,545
2024 - 2028	1,468,213	1,573,783	3,041,996
2029 - 2033	1,437,796	1,152,593	2,590,389
2034 - 2038	1,895,483	694,907	2,590,390
2039 - 2042	1,499,609	139,017	1,638,626
	<u>\$ 7,176,591</u>	<u>\$ 5,454,221</u>	<u>\$ 12,630,812</u>

**NOTE 6 - INTERFUND RECEIVABLES AND PAYABLES**

Interfund payable and receivable balances at June 30, 2018 are as follows:

Receivable fund		Payable fund	
Special revenue	\$ 39,347	General fund	\$ 653,845
Capital projects	619,406	Debt service	4,908
	<u>\$ 658,753</u>		<u>\$ 658,753</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems, and (3) payments between funds are made.

**WEST MICHIGAN ACADEMY OF ENVIRONMENTAL SCIENCE  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 - TRANSFERS**

Transfers between the governmental funds were as follows:

Transfers out	Transfers in										
<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">General fund</td> <td style="text-align: right; border-bottom: 3px double black;">\$ 717,574</td> </tr> </table>	General fund	\$ 717,574	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Debt service</td> <td style="text-align: right;">\$ 557,461</td> </tr> <tr> <td>Special revenue</td> <td style="text-align: right;">60,113</td> </tr> <tr> <td>Capital projects</td> <td style="text-align: right; border-bottom: 1px solid black;">100,000</td> </tr> <tr> <td></td> <td style="text-align: right; border-bottom: 3px double black;">\$ 717,574</td> </tr> </table>	Debt service	\$ 557,461	Special revenue	60,113	Capital projects	100,000		\$ 717,574
General fund	\$ 717,574										
Debt service	\$ 557,461										
Special revenue	60,113										
Capital projects	100,000										
	\$ 717,574										

Transfers were made to the capital projects fund to cover expenditures related to the new building addition and to the special revenue fund to cover operating costs incurred. The transfer from the general fund to the debt service fund was to pay the annual principal and interest on the long-term debt.

**NOTE 8 - OVERSIGHT FEES**

The Academy pays an administrative oversight fee of 3% of its state school aid discretionary and Proposal A obligation payments to the Central Michigan University Board of Trustees, as set forth by contract, to reimburse the University Board for the cost of execution of its oversight responsibilities. These oversight responsibilities include the monitoring of the Academy’s compliance with the terms and conditions of the contract, and the review of its audited financial statements and periodic reports. During the year ended June 30, 2018, the Academy incurred expense of approximately \$172,000 for oversight fees.

**NOTE 9 - MANAGEMENT AGREEMENT**

The Academy currently has a management agreement with Choice Schools Associates, LLC (Choice Schools) for operations of the Academy through June 2021. Under the terms of the management agreement, Choice Schools’ compensation for operating the Academy was approximately \$651,000 for the fiscal year 2018. The amount payable to Choice Schools at June 30, 2018 for management fees was approximately \$37,000.

**NOTE 10 - PURCHASED SERVICES**

The Academy leases all employee services from Choice Schools. Salaries, retirement, social security, health insurance, and unemployment taxes are the responsibility of Choice Schools. The amount payable to Choice Schools at June 30, 2018 was approximately \$57,000. The Academy also matches up to 5% for any employee electing to personally contribute to the Choice Schools retirement plan. Retirement expense for 2018 was approximately \$104,000.

**WEST MICHIGAN ACADEMY OF ENVIRONMENTAL SCIENCE  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 11 - RISK MANAGEMENT**

The Academy is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. To minimize the risk, the Academy carries commercial insurance.

**NOTE 12 - UPCOMING ACCOUNTING PRONOUNCEMENT**

Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, was issued by the GASB in June 2017 and will be effective for the Academy's 2021 year end. The objective of this Statement is to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use the underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.



**REQUIRED SUPPLEMENTARY INFORMATION**

**WEST MICHIGAN ACADEMY OF ENVIRONMENTAL SCIENCE  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
YEAR ENDED JUNE 30, 2018**

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget</u>
<b>REVENUES:</b>				
Local	\$ 135,939	\$ 129,144	\$ 134,891	\$ 5,747
State sources	6,609,786	6,278,894	6,277,976	(918)
Federal sources	366,895	394,398	386,747	(7,651)
Incoming transfers	122,987	88,301	88,301	-
Total revenues	<u>7,235,607</u>	<u>6,890,736</u>	<u>6,887,915</u>	<u>(2,821)</u>
<b>EXPENDITURES:</b>				
Instruction:				
Basic programs	3,220,685	3,065,495	3,019,871	45,624
Added needs	532,687	544,639	541,167	3,472
Total instruction	<u>3,753,372</u>	<u>3,610,135</u>	<u>3,561,038</u>	<u>49,097</u>
Support services:				
Pupil	195,830	261,905	248,909	12,996
Instructional staff	219,163	189,441	203,191	(13,750)
General administration	904,176	857,583	867,267	(9,684)
School administration	651,508	570,558	548,385	22,173
Business services	2,750	2,500	2,591	(91)
Operation and maintenance	528,566	457,018	462,114	(5,096)
Pupil transportation services	43,099	38,386	37,494	892
Central support services	179,461	81,670	76,789	4,881
Athletics	27,600	24,624	23,390	1,234
Total support services	<u>2,752,153</u>	<u>2,483,686</u>	<u>2,470,130</u>	<u>13,556</u>
Community services:				
Community service	6,265	1,665	-	1,665
Custody and care of children	76,655	50,694	51,477	(783)
Total expenditures	<u>6,588,445</u>	<u>6,146,179</u>	<u>6,082,645</u>	<u>63,534</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	647,162	744,557	805,270	60,713
<b>OTHER FINANCING USES:</b>				
Transfers out	(707,952)	(705,909)	(717,574)	(11,665)
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (60,791)</u>	<u>\$ 38,648</u>	87,696	<u>\$ 49,048</u>
<b>FUND BALANCE:</b>				
Beginning of year			2,233,006	
End of year			<u>\$ 2,320,702</u>	

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors  
West Michigan Academy of Environmental Science

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of West Michigan Academy of Environmental Science as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the West Michigan Academy of Environmental Science's basic financial statements and have issued our report thereon dated October 3, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered West Michigan Academy of Environmental Science's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the West Michigan Academy of Environmental Science's internal control. Accordingly, we do not express an opinion on the effectiveness of the West Michigan Academy of Environmental Science's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether West Michigan Academy of Environmental Science's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Manes Costeiran PC*

October 3, 2018

October 3, 2018

To the Board of Directors  
West Michigan Academy of Environmental Science

We have audited the financial statements of West Michigan Academy of Environmental Science for the year ended June 30, 2018, and have issued our report thereon dated October 3, 2018. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Auditing Standards Generally Accepted in the United States of America and Government Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of West Michigan Academy of Environmental Science. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed test of West Michigan Academy of Environmental Science's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to the President of the Board of Directors.

## Significant Audit Findings

### *1. Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by West Michigan Academy of Environmental Science are described in Note 1 to the financial statements. We noted no transactions entered into by the Academy during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's determination of the estimated life span of the capital assets. We evaluated the key factors and assumptions used by management to develop the estimated life span of the capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

We did not identify any sensitive disclosures.

### *2. Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### *3. Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

### *4. Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

5. *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated October 3, 2018.

6. *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the West Michigan Academy of Environmental Science’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

7. *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the West Michigan Academy of Environmental Science’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

8. *Other Matters*

We applied certain limited procedures to the required supplementary information (RSI) which are required and supplement the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

A separate management letter was not issued.

This information is intended solely for the use of the Board of Directors and management of West Michigan Academy of Environmental Science and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

*Maney Costeiran PC*