

**Audited Financial Statements**

# **Bradford Academy**

Southfield, Michigan

**June 30, 2017**

## CONTENTS

	<u>Page</u>
<b>Independent Auditor’s Report</b>	i – iii
<b>Management’s Discussion and Analysis</b>	iv – ix
<b>Basic Financial Statements</b>	
Statement of Net Position	1
Statement of Activities	2
Combined Balance Sheet – All Governmental Funds	3
Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities	4
Statement of Revenues, Expenditures and Changes in Fund Balance – All Governmental Funds	5
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities	6
Statement of Fiduciary Net Position	7
Notes to Financial Statements	8 - 20
<b>Supplementary Information</b>	
Budgetary Comparison Schedule – General Fund	21
Schedule of Revenues – General Fund	22
Schedule of Expenditures – General Fund	23 - 25

## CONTENTS – Continued

	<u>Page</u>
<b>Appendix- Federal Awards Report</b>	
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 <i>Government Auditing Standards</i>	A-1 – A-2
Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	A-3 – A-4
Schedule of Expenditures of Federal Awards	A-5– A-6
Reconciliation of Basic Financial Statements Federal Receivables Revenue with Schedule of Expenditures of Federal Awards	A-7
Notes to Schedule of Expenditures of Federal Awards	A-8
Schedule of Findings and Questioned Costs	A-9

## INDEPENDENT AUDITOR'S REPORT

### To the Board of Directors of Bradford Academy

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bradford Academy, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Bradford Academy'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 judgement, 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 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 Bradford Academy as of June 30, 2017, and the respective changes in financial position, thereof for the year 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 budgetary comparison 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 Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Bradford Academy's basic financial statements. The introductory section, combining and individual non-major fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual non-major fund financial statements, schedules of revenues and expenditures, and the schedules of expenditures of federal awards are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements, schedules of revenues and expenditures, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2017, on our consideration of the Bradford Academy'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 to describe the scope of our testing of internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Bradford Academy's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Croskey Lanni, PC". The signature is written in a cursive style.

Croskey Lanni, PC

October 25, 2017  
Rochester, Michigan

## MANAGEMENT’S DISCUSSION AND ANALYSIS

This section of Bradford Academy’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, 2017. Please read it in conjunction with the Academy’s financial statements, which immediately follow this section.

### Financial Highlights

- The Academy had a decrease in the general fund balance of \$914,609. This gives the Academy a general fund balance of \$1,461,291.

## 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.

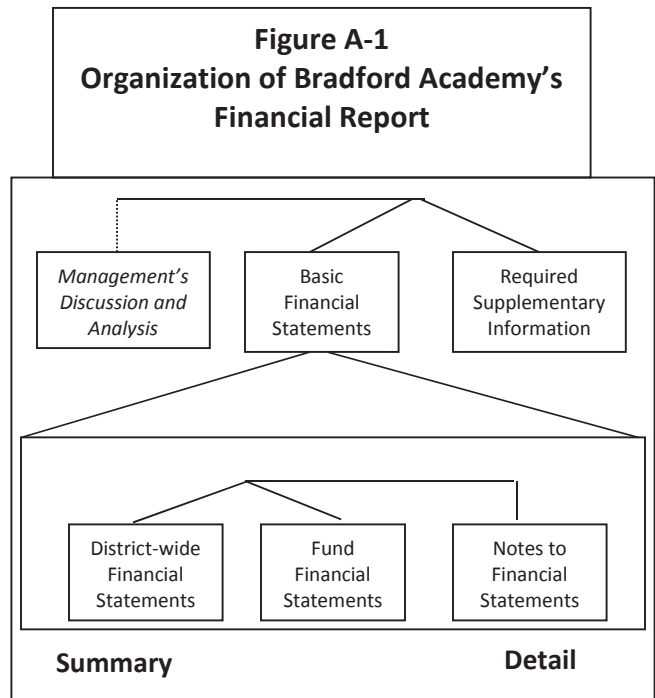


Figure A-2 summarizes the major features of the Academy’s financial statements, including the portion of the Academy’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights the structure and contents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

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

	Academy-wide statements	Governmental funds	Fiduciary funds
Scope	Entire academy (except fiduciary funds)	All activities of the academy that are not fiduciary	Instances in which the academy administers resources on behalf of someone else, such as student activities monies
Required financial statements	* Statement of net position  * Statement of activities	* Balance sheet  * Statement of revenues, expenditures and changes in fund balances	Statement of fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic 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	All assets and liabilities, both short-term and long-term, the academy's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during the 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	All additions and deductions during the year, regardless of when cash is received or paid

**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, deferred outflows, liabilities, and deferred inflows. 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 it has changed. Net position – the difference between the Academy's assets, deferred outflows, liabilities, and deferred inflows, are 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 school lunch).

The Academy has only governmental funds - Most 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**

The Academy's combined net position of \$(4,236,954) decreased by \$779,456 during the year due to Academy operations.

The total revenues decreased compared to the prior year due to decreased enrollment. State aid foundation allowance included in revenue from state sources accounts for approximately 74% of the Academy's revenue. The foundation allowance increased by \$120 per student from the prior year. Blended enrollment decreased 91.65 students to 1,405.86 students.

The total cost of instruction increased 6.9% to \$5,454,125. Support services and community services increased 4.9% to \$6,936,444.

## Academy Governmental Activities

**Figure A-3**  
**Bradford Academy's Net Position**

	<u>2017</u>	<u>2016</u>
Current assets	\$ 6,913,713	\$ 8,092,497
Capital assets, net	<u>19,113,956</u>	<u>19,617,419</u>
Total assets and deferred outflows	<u>26,027,669</u>	<u>27,709,916</u>
Current liabilities	3,334,623	3,377,414
Long-term debt, long-term portion	<u>26,930,000</u>	<u>27,790,000</u>
Total liabilities and deferred inflows	<u>30,264,623</u>	<u>31,167,414</u>
Net position:		
Net investment in capital assets	(8,261,044)	(8,562,581)
Restricted	3,098,029	3,331,978
Unrestricted	<u>926,061</u>	<u>1,773,105</u>
Total net position	<u>\$ (4,236,954)</u>	<u>\$ (3,457,498)</u>

**Figure A-4**  
**Changes in Bradford Academy's Net Position**

	<u>2017</u>	<u>2016</u>
Revenues:		
Program revenues:		
Federal and state categorical grants	\$ 3,593,729	\$ 3,562,599
Charges for service	<u>29,860</u>	<u>46,149</u>
Total program revenues	<u>3,623,589</u>	<u>3,608,748</u>
General revenues:		
State aid - unrestricted	10,652,870	11,114,588
Other	<u>44,132</u>	<u>271,434</u>
Total general revenues	<u>10,697,002</u>	<u>11,386,022</u>
Total revenues	<u>14,320,591</u>	<u>14,994,770</u>
Expenses:		
Instruction	5,454,125	5,102,164
Support services	6,936,444	6,607,121
Unallocated depreciation	782,553	738,050
Unallocated interest	<u>1,926,925</u>	<u>1,970,575</u>
Total expenses	<u>15,100,047</u>	<u>14,417,910</u>
Net change in net position	<u>\$ (779,456)</u>	<u>\$ 576,860</u>

## Financial Analysis of the Academy's Funds

The financial operation of the Academy is considered stable. The general fund balance at June 30, 2017 is \$1,461,291 or 10.1% of expenditures.

### General Fund Budgetary Highlights

Over the course of the year, the Academy revised the general and special revenue fund annual operating budgets in order to stay within its budgetary plan although certain overages were realized.

While the Academy's final budget for the general fund anticipated expenditures and other financing sources would be in excess of revenues or uses by \$1,169,372 the actual results for the year showed a decrease in fund balance of \$914,609.

Actual revenues were \$17,416 less than budget primarily due to unspent grant funds at the end of the year.

Actual expenditures were \$265,219 under budget primarily due to unspent grant funds at the end of the year and lower than expected personnel and building operation costs.

### Capital Asset and Debt Administration

#### Capital Assets

As of June 30, 2017, the Academy had invested \$19,113,956 in capital assets net of accumulated depreciation as summarized in Figure A-5. This amount represents a net decrease of \$503,463 from the beginning of the year. Total depreciation expense for the year was \$782,553. More detailed information about capital assets can be found in Note 5 to the financial statements.

The Academy's capital assets are as follows:

<b>Figure A-5</b>		
<b>Bradford Academy's Capital Assets</b>		
	<b>Balance June 30, 2017</b>	<b>Balance June 30, 2016</b>
Building	\$ 24,545,910	\$ 24,545,910
Equipment	499,478	382,705
Furniture	1,097,024	1,097,024
Computer	875,174	732,857
Other	150,131	130,131
Total cost	27,167,717	26,888,627
Less accumulated depreciation	8,053,761	7,271,208
Net book value	<u>\$ 19,113,956</u>	<u>\$ 19,617,419</u>

## **FACTORS BEARING ON THE ACADEMY'S FUTURE**

The Academy continues to place emphasis upon enrollment increases through new working strategies. Enrollment growth will be imperative in continuing financial growth, and offering additional programmatic opportunities.

### **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, MI 49514. Phone (616) 785-8440.

# BRADFORD ACADEMY

## STATEMENT OF NET POSITION JUNE 30, 2017

### ASSETS AND DEFERRED OUTFLOWS

#### Current Assets

Cash and cash equivalents	\$ 565,202
Investments - restricted for debt service and capital projects	3,098,029
Accounts receivable	10,945
Deposits	14,343
Due from other governmental units	2,906,823
Prepaid expenses	318,371
Total current assets	6,913,713

#### Capital Assets - Net of Accumulated Depreciation

19,113,956

Total assets and deferred outflows

\$ 26,027,669

### LIABILITIES, DEFERRED INFLOWS, AND NET POSITION

#### Current Liabilities

Accounts payable	\$ 418,469
Notes payable	649,179
Due to agency fund	13,302
Unearned revenue	348,595
Other accrued expenses	1,460,078
Long-term debt - current portion	445,000
Total current liabilities	3,334,623

#### Long-Term Debt - Long-Term Portion

26,930,000

#### Net Position

Net investment in capital assets	(8,261,044)
Restricted for debt services	3,098,029
Unrestricted	926,061
Total net position	(4,236,954)
Total liabilities, deferred inflows and net position	\$ 26,027,669

See accompanying notes to financial statements

## BRADFORD ACADEMY

### STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2017

		Program Revenues		Net (Expense) Revenues and Changes in Net Position
	Expenses	Charges for Services	Operating Grants	Government Type Activities
<b>Functions</b>				
Instruction				
Basic programs	\$ 4,377,078	\$ -	\$ 1,000,227	\$ (3,376,851)
Added needs	1,077,047	-	1,043,364	(33,683)
Support services				
Pupil support services	668,908	-	580,277	(88,631)
Instructional staff support services	400,041	-	194,422	(205,619)
General administration	1,874,853	-	2,000	(1,872,853)
School administration	944,960	-	-	(944,960)
Business support services	240,429	-	-	(240,429)
Operations and maintenance	1,109,651	-	-	(1,109,651)
Pupil transportation services	703,930	-	-	(703,930)
Central support services	182,748	-	1,528	(181,220)
Athletic activities	108,657	29,860	-	(78,797)
Food services	693,266	-	767,495	74,229
Community services	9,001	-	4,416	(4,585)
Unallocated depreciation	782,553	-	-	(782,553)
Unallocated interest	1,926,925	-	-	(1,926,925)
Total primary government	\$ 15,100,047	\$ 29,860	\$ 3,593,729	(11,476,458)
<b>General Purpose Revenues</b>				
State school aid - unrestricted				10,652,870
Miscellaneous revenues				44,132
Total general purpose revenues				10,697,002
Change in net position				(779,456)
Net position - July 1, 2016				(3,457,498)
Net position - June 30, 2017				\$ (4,236,954)

See accompanying notes to financial statements

## BRADFORD ACADEMY

### COMBINED BALANCE SHEET – ALL GOVERNMENTAL FUNDS JUNE 30, 2017

#### ASSETS

	General	Debt Service	Non-Major Special Revenue	Total
Cash and cash equivalents	\$ 565,202	\$ -	\$ -	\$ 565,202
Investments	-	3,098,029	-	3,098,029
Accounts receivable	10,945	-	-	10,945
Deposits	14,343	-	-	14,343
Due from other governmental units	2,874,127	-	32,696	2,906,823
Due from other funds	81,213	-	183,658	264,871
Prepaid expenses	318,371	-	-	318,371
	<u>\$ 3,864,201</u>	<u>\$ 3,098,029</u>	<u>\$ 216,354</u>	<u>\$ 7,178,584</u>

#### LIABILITIES AND FUND BALANCE

##### Liabilities

Accounts payable	\$ 384,123	\$ 3,100	\$ 31,246	\$ 418,469
Notes payable	649,179	-	-	649,179
Due to agency funds	13,302	-	-	13,302
Due to other funds	183,658	81,213	-	264,871
Unearned revenue	348,595	-	-	348,595
Other accrued expenses	824,053	-	-	824,053
	<u>2,402,910</u>	<u>84,313</u>	<u>31,246</u>	<u>2,518,469</u>

##### Fund Balance

Nonspendable	332,714	-	-	332,714
Restricted	-	3,013,716	185,108	3,198,824
Assigned	362,620	-	-	362,620
Unassigned	765,957	-	-	765,957
	<u>1,461,291</u>	<u>3,013,716</u>	<u>185,108</u>	<u>4,660,115</u>
	<u>\$ 3,864,201</u>	<u>\$ 3,098,029</u>	<u>\$ 216,354</u>	<u>\$ 7,178,584</u>

See accompanying notes to financial statements

## BRADFORD ACADEMY

### RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET POSITION OF GOVERNMENTAL ACTIVITIES JUNE 30, 2017

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

<b>Total Governmental Fund Balances</b>	\$ 4,660,115
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$27,167,717 and the accumulated depreciation is \$8,053,761.	19,113,956
Interest is not payable until due in governmental activities and, therefore, is not recorded in the funds.	(636,025)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(27,375,000)</u>
<b>Net Position of Governmental Activities</b>	<u>\$ (4,236,954)</u>

See accompanying notes to financial statements



## BRADFORD ACADEMY

### STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – ALL GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2017

	<u>General</u>	<u>Debt Service</u>	<u>Non-Major Special Revenue</u>	<u>Total</u>
<b>Revenues</b>				
Local sources	\$ 69,134	\$ 4,859	\$ -	\$ 73,993
State sources	12,035,394	-	6,772	12,042,166
Federal sources	1,416,541	-	760,723	2,177,264
Interdistrict sources	27,168	-	-	27,168
Total governmental fund revenues	13,548,237	4,859	767,495	14,320,591
<b>Expenditures</b>				
Instruction				
Basic programs	4,377,078	-	-	4,377,078
Added needs	1,077,047	-	-	1,077,047
Support services				
Pupil support services	668,908	-	-	668,908
Instructional staff support services	400,041	-	-	400,041
General administration	1,874,853	-	-	1,874,853
School administration	944,960	-	-	944,960
Business support services	213,743	26,686	-	240,429
Operations and maintenance	1,109,651	-	-	1,109,651
Pupil transportation services	703,930	-	-	703,930
Central support services	182,748	-	-	182,748
Athletic activities	108,657	-	-	108,657
Food services	-	-	693,266	693,266
Community services	9,001	-	-	9,001
Capital outlay	279,090	-	-	279,090
Debt principal and interest	-	2,748,925	-	2,748,925
Total governmental fund expenditures	11,949,707	2,775,611	693,266	15,418,584
Excess (deficiency) of revenues over expenditures	1,598,530	(2,770,752)	74,229	(1,097,993)
<b>Other Financing Sources (Uses)</b>				
Operating transfers in	-	2,513,139	-	2,513,139
Operating transfers out	(2,513,139)	-	-	(2,513,139)
Total other financing sources (uses)	(2,513,139)	2,513,139	-	-
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	(914,609)	(257,613)	74,229	(1,097,993)
Fund balance - July 1, 2016	2,375,900	3,271,329	110,879	5,758,108
Fund balance - June 30, 2017	<u>\$ 1,461,291</u>	<u>\$ 3,013,716</u>	<u>\$ 185,108</u>	<u>\$ 4,660,115</u>

See accompanying notes to financial statements

## BRADFORD ACADEMY

### RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2017

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

**Net Change in Fund Balances - Total Governmental Funds** \$ (1,097,993)

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation and amortization expense. This is the amount by which capital outlays exceeded depreciation and amortization in the current period

Capital outlay	\$ 279,090	
Depreciation and amortization expense	<u>(782,553)</u>	(503,463)

The governmental funds report loan proceeds as an other financing source, while repayment of loan principal is reported as an expenditure. Interest is recognized as an expenditure in the governmental funds when it is due. The net effect of these differences in the treatment of general loan obligations is as follows:

Repayment of loan principal	\$ 805,000	
Interest expense	<u>17,000</u>	<u>822,000</u>

**Change in Net Position of Governmental Activities** \$ (779,456)

**BRADFORD ACADEMY**

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUND  
JUNE 30, 2017

**ASSETS**

Due from general fund	<u>\$ 13,302</u>
Total assets	<u><u>\$ 13,302</u></u>

**LIABILITIES**

Due to student groups	<u>\$ 13,302</u>
Total liabilities	<u><u>\$ 13,302</u></u>

# BRADFORD ACADEMY

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Bradford Academy (the “Academy”) conform to generally accepted accounting principles applicable to public school academies. The following is a summary of the significant accounting policies:

#### Reporting Entity

Bradford Academy was formed as a public school academy pursuant to the Michigan School Code of 1976, as amended by Act No. 362 of the Public Acts of 1993 and Act No. 416 of the Public Acts of 1994. The Academy filed articles of incorporation as a nonprofit corporation pursuant to the provisions of the Michigan Nonprofit Corporation Act of 1982, as amended, on November 5, 2002, and began operation in July 2003.

In January 2012, the Academy entered into a four-year contract, through June 30, 2016 with the Bay Mills Community College’s Board of Trustees to charter a public school academy. The contract was renewed for seven years through June 30, 2024. The contract requires the Academy to act exclusively as a governmental agency and not undertake any action inconsistent with its status as an entity authorized to receive state school aid funds pursuant to the State constitution. The College’s Board of Trustees is the fiscal agent for the Academy and is responsible for overseeing the Academy’s compliance with the contract and all applicable laws. The Academy pays the Bay Mill Community College’s Board of Trustees three percent of state aid as administrative fees. Total administrative fees paid for the year ended June 30, 2017 were approximately \$347,600.

In July 2012, the Academy entered into a four-year agreement with Choice Schools Associates, “CSA”. The agreement was renewed for seven years through June 30, 2024. Under the terms of this agreement, CSA provides a variety of services including management, curriculum, educational programs, and teacher training. The Academy is obligated to pay CSA a fee of \$1,300,526 plus 10% of all gross revenues in excess of \$13,005,260 received during the school year less local revenue and oversight fee. Payments under this contract amounted to \$1,362,553 for the year ended June 30, 2017.

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational or financial relationships with the public school academy. Based on application of criteria, the Academy does not contain component units.

#### Fund Financial Statements

Fund financial statements report detailed information about the Academy. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

## **BRADFORD ACADEMY**

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2017

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

#### **Basis of Presentation – Fund Accounting**

The accounts of the Academy are organized on the basis of funds. The operations of a fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenue and expenditures. Government resources are allocated to and accounted for in individual funds based on the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the combined financial statements in this report, into generic fund types in two broad fund categories.

#### **Governmental Funds**

A governmental fund is a fund through which most Academy functions typically are financed. The acquisition, use and balances of the Academy's expendable financial resources and the related current liabilities are accounted for through a governmental fund.

**General Fund** - The general fund is used to record the general operations of the Academy pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved current operating budget.

**Special Revenue Fund** - The special revenue fund is used to account for the food service program operations. The special revenue fund is a subsidiary operation and is an obligation of the general fund. Therefore, any shortfall in the special revenue fund will be covered by an operating transfer from the general fund.

**Debt Service Fund** - The debt service fund is used to record certain revenue and the payment of interest, principal and other expenditures on long-term debt.

**Capital Projects Fund** - The capital projects fund, which the Academy does not presently maintain, accounts for financial resources to be used for the acquisition, construction, or improvement of capital facilities.

**Fiduciary Fund** - The fiduciary fund is used to account for assets held by the Academy in a trustee capacity or as an agent. The agency fund is custodial in nature and does not involve the measurement of results of operations.

**Activity (Agency) Fund** – The activity fund is used to record the transactions of a student group for school and school-related purposes. The fund is segregated and held in trust for the students.

Governmental and agency funds utilize the modified accrual basis of accounting. Modifications in such method from the accrual basis are as follows:

- a. Revenue that is both measurable and available for use to finance operations is recorded as revenue when earned. 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 collected within sixty days of the end of the current fiscal period.

## **BRADFORD ACADEMY**

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2017

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

- b. Payments for inventorable types of supplies, which are not significant at year end, are recorded as expenditures at the time of purchase.
- c. Principal and interest of general long-term debt are not recorded as expenditures until their due dates.
- d. The State of Michigan utilizes a foundation allowance funding approach, which provides for specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenue from state sources is primarily governed by the School Aid Act and the School Code of Michigan. The state portion of the foundation is provided from the State's School Aid Fund and is recognized as revenue in accordance with state law. A major portion of the Academy's revenue is derived from this state aid. As such, the Academy is considered to be economically dependent on this aid. The Academy's existence is dependent upon qualification for such aid.

#### **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 non-fiduciary activities of the primary government. The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This approach differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationships between the government-wide statements and the statements for governmental funds.

The government-wide Statement of Activities presents a comparison between expenses and program revenues for each segment of the business-type activities of the Academy and for each governmental program. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. The Academy does not allocate indirect expenses to programs. In creating the government-wide financial statements the Academy has eliminated inter-fund transactions. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or function is self-financing or draws from the general revenues of the Academy. When both restricted and unrestricted resources are available for use, it is the Academy's policy to use restricted resources first.

Net position should be reported as restricted when constraints placed on net position's use are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The Academy first utilizes restricted resources to finance qualifying activities.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government - wide financial statements.

## **BRADFORD ACADEMY**

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2017

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

#### **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 maturities of three months or less from the date of acquisition. The Academy reports its investments in accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools and GASB No. 40, Deposit and Investment Risk Disclosures. Under these standards, 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. The 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. The Academy held investments in mutual funds that invest solely in U.S. Treasury obligations. The funds are held in trust for debt service and capital projects. State statutes authorize the Academy to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, saving accounts, deposit accounts, and 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 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. Government or Federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

#### **Receivables**

Receivables at June 30, 2017 consist primarily of state school aid due from the State of Michigan and the federal government. All receivables are expected to be fully collected in July and August of 2017 and are considered current for the purposes of these financial statements.

#### **Prepaid Assets**

Payments made to vendors for services that will benefit periods beyond June 30, 2017, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

#### **Capital Assets and Depreciation**

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions or retirements during the year. The Academy follows the policy of not capitalizing assets with a useful life of less than one year. The Academy does not possess any infrastructure assets.

# BRADFORD ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2017

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

All reported capital assets, with the exception of land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Building and improvements	10 – 50 years
Furniture and equipment	5 – 15 years
Computers and software	3 – 10 years

### Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, the non-current portion of capital leases that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

### Net Position

Net position represents the difference between assets, deferred outflows, liabilities, and deferred inflows. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors or laws of regulations of other governments.

### Fund Equity

The Academy has adopted GASB 54 as part of its fiscal year reporting. The intention of the GASB is to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the Academy's financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on those resources.

GASB 54 provides for two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. This category typically includes prepaid items and inventories.

In addition to nonspendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints.

- a. *Restricted fund balance* – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.



## **BRADFORD ACADEMY**

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2017

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

- b. *Committed fund balance* – amounts constrained to specific purposes by the Board; to be reported as committed, amounts cannot be used for any other purpose unless the Board takes action to remove or change the constraint.
- c. *Assigned fund balance* – amounts the Board intends to use for a specific purpose; intent can be expressed by the Board or by an official or committee to which the Board delegates the authority.
- d. *Unassigned fund balance* – amounts that are available for any purpose; these amounts are reported only in the general fund.

The Academy follows the policy that restricted, committed, or assigned amounts will be considered to have been spent when an expenditure is incurred for purposes for which both unassigned and restricted, committed, or assigned fund balances are available. There are no governmental funds with a deficit.

#### **Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

### **NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Annual budgets are adopted on a consistent basis with accounting principles generally accepted in the United States of America and state law for the general fund. All annual appropriations lapse at fiscal year-end and encumbrances are not formally recorded.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. State law requires the Academy to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. The Academy is required by law to adopt a general fund budget. During the year ended June 30, 2017 the budget was amended in a legally permissible manner. The Academy had expenditures in certain functional areas that were insignificantly in excess of amounts appropriated, as described on page 21 of these financial statements however total expenditures did not exceed appropriations.

## BRADFORD ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2017

### NOTE 3 - DEPOSITS AND INVESTMENTS

As of June 30, 2017, the Academy had the following investments:

<u>Type</u>	<u>S&amp;P Rating</u>	<u>Maturities</u>	<u>Carrying Value</u>
Deposits:			
Demand deposits			\$ 565,202
Investments:			
U.S. Treasury and agency obligations	AAAm	Various	<u>3,098,029</u>
Total deposits and investments			<u>\$ 3,663,231</u>

The above amounts are reported in the financial statements as follows:

Deposits:			
Cash - General fund			\$ 565,202
Investments:			
Investments - Debt service			<u>3,098,029</u>
Total deposits and investments			<u>\$ 3,663,231</u>

#### Interest Rate Risk

In accordance with its investment policy, the Academy will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the Academy's cash requirements.

#### Credit Risk

State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2017, the Academy's investments were rated AAAM by Standards & Poor's and Aaa-mf by Moody's Investors Service.

## **BRADFORD ACADEMY**

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2017

### **NOTE 3 - DEPOSITS AND INVESTMENTS – Continued**

#### **Concentration of Credit Risk**

The Academy will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Academy's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. More than 5% of the Academy's investments are in pooled investment accounts which represent 100% of the Academy's total investments.

#### **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, 2017, \$346,131 of the Academy's cash was exposed to custodial credit risk because it was uninsured. All cash balances were uncollateralized as of June 30, 2017.

#### **Custodial Credit Risk - Investments**

For an investment, this is the risk that, in the event of the failure of the counterparty, the Academy will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The Academy will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the Academy will do business.

#### **Foreign Currency Risk**

The Academy is not authorized to invest in investments which have this type of risk.

#### **Fair Value**

Generally accepted accounting principles define fair value, establish a framework for measuring fair value, and establish a fair value hierarchy that prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Academy has the ability to access.
- b. Level 2 inputs are inputs (other than quoted prices included within Level 1) that are observable for the asset or liability, either directly or indirectly.

## BRADFORD ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2017

### NOTE 3 - DEPOSITS AND INVESTMENTS – Continued

- c. Level 3 are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability. (The observable inputs should be developed based on the best information available in the circumstances and may include the Academy's own data.)

The Academy does not have any investments that are subject to the fair value measurement.

### NOTE 4 – DUE FROM OTHER GOVERNMENTAL UNITS

Amounts due from other governmental units consist of the following:

Local sources	\$	155,163
State sources		2,109,457
Federal sources		642,203
		<hr/>
Total	\$	<u>2,906,823</u>

### NOTE 5 - CAPITAL ASSETS

Capital asset activity of the Academy's governmental activities was as follows:

	<u>Balance</u> <u>June 30, 2016</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2017</u>
Capital assets subject to depreciation				
Building	\$ 24,545,910	\$ -	\$ -	\$ 24,545,910
Equipment	382,705	116,773	-	499,478
Furniture	1,097,024	-	-	1,097,024
Computer	732,857	142,317	-	875,174
Other	130,131	20,000	-	150,131
				<hr/>
Sub-total	26,888,627	279,090	-	27,167,717

## BRADFORD ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2017

### NOTE 5 - CAPITAL ASSETS - Continued

Accumulated depreciation				
Building	5,471,003	616,881	-	6,087,884
Equipment	278,253	45,764	-	324,017
Furniture	905,545	74,231	-	979,776
Computer	601,161	36,846	-	638,007
Other	15,246	8,831	-	24,077
	<hr/>	<hr/>	<hr/>	<hr/>
Sub-total	7,271,208	782,553	-	8,053,761
	<hr/>	<hr/>	<hr/>	<hr/>
Total net capital assets	<u>\$ 19,617,419</u>	<u>\$ (503,463)</u>	<u>\$ -</u>	<u>\$ 19,113,956</u>

Depreciation and amortization expense was not charged to activities as the Academy considers its assets to impact multiple activities and allocation is not practical.

### NOTE 6 – NOTES PAYABLE

#### Loan Information

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Other</u>
SAAN 15/16	5.90%	August, 2016	Paid in full
SAAN 16/17	2.70%	August, 2017	Loan issued to provide the Academy with operating funds. Loan secured through future school state aid payments

#### Loan Activity

	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Retirements and Payments</u>	<u>Balance June 30, 2017</u>
SAAN 15/16	\$ 556,017	\$ -	\$ 556,017	\$ -
SAAN 16/17	-	3,500,000	2,850,821	649,179
	<hr/>	<hr/>	<hr/>	<hr/>
	<u>\$ 556,017</u>	<u>\$ 3,500,000</u>	<u>\$ 3,406,838</u>	<u>\$ 649,179</u>

**BRADFORD ACADEMY**

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2017

**NOTE 7 – OTHER ACCRUED EXPENSES**

Other accrued expenses can be summarized as follows:

	<u>Net Position</u>	<u>Funds</u>
Purchased services - payroll and benefits	\$ 760,769	\$ 760,769
Authorizer oversight fee	63,284	63,284
Interest	636,025	-
Total other accrued expenses	<u>\$ 1,460,078</u>	<u>\$ 824,053</u>

**NOTE 8 - LONG-TERM OBLIGATIONS PAYABLE**

The following is a summary of long-term obligations for the Academy during the year ended June 30, 2017:

**Loan Information**

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Other</u>
Revenue bond 1	6.88%	September, 2038	Interest payable twice yearly and principal once yearly. Secured by facilities and pledge for 20% of State school aid payments.
Revenue bond 2	8.50%	March, 2039	Interest payable twice yearly and principal once yearly. Secured by facilities and pledge for 20% of State school aid payments.

**Loan Activity**

	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Retirements and Payments</u>	<u>Balance June 30, 2017</u>	<u>Due Within One Year</u>
Revenue bond 1	\$ 16,665,000	\$ -	\$ 670,000	\$ 15,995,000	\$ 365,000
Revenue bond 2	11,515,000	-	135,000	11,380,000	80,000
	<u>\$ 28,180,000</u>	<u>\$ -</u>	<u>\$ 805,000</u>	<u>\$ 27,375,000</u>	<u>\$ 445,000</u>

## BRADFORD ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2017

### NOTE 8 - LONG-TERM OBLIGATIONS PAYABLE

Following are maturities of long-term obligations for principal and interest for the next five years and in total:

	<u>Principal</u>	<u>Interest</u>
2018	\$ 445,000	\$ 1,893,013
2019	475,000	1,861,875
2020	510,000	1,828,513
2021	545,000	1,792,725
2022	585,000	1,754,350
2023 - 2027	3,665,000	8,071,188
2028 - 2032	5,170,000	6,546,938
2033 - 2037	7,370,000	4,353,863
2038 - 2040	8,610,000	882,363

On October 14, 2016 the Academy extended the forbearance agreement with the bond holders originally entered into as of August 30, 2013. The Academy must still transfer the required 20% of its state school aid payments to the Trustee.

### NOTE 9 - RETIREMENT PLAN

All employees leased by the Academy are eligible to participate in a retirement plan established by Choice Schools Associates, "the Employer", which qualifies under the provisions of Section 401(k) of the Internal Revenue Code. The Employer's contribution under this plan is a discretionary match of the employee contributions, after the employee has completed one year of service.

### NOTE 10 - INTERFUND TRANSFERS

During the normal course of the school year the Academy transferred amounts between its major funds as follows:

	<u>General</u>	<u>Debt Service</u>
Transfer In	\$ -	\$ 2,513,139
Transfer Out	2,513,139	-

## **BRADFORD ACADEMY**

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2017

### **NOTE 10 - INTERFUND TRANSFERS - Continued**

As stipulated by the Academy's revenue bond agreement which is described in Note 8, the Academy must transfer 20% of its state aid to a trustee. The trustee retains the required portion for debt service and returns the remainder to the Academy. These above transactions account for the major activity in the Academy's interfund transfer accounts.

### **NOTE 11 - RISK MANAGEMENT**

The Academy is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (worker's compensation), as well as medical benefits provided to employees. The Academy has purchased commercial insurance for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.



## SUPPLEMENTARY INFORMATION

## BRADFORD ACADEMY

### REQUIRED SUPPLEMENTAL INFORMATION BUDGETARY COMPARISON SCHEDULE – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2017

	Original Budget	Final Budget	Actual	Variance
<b>Revenues</b>				
Local sources	\$ 80,955	\$ 60,779	\$ 69,134	\$ 8,355
State sources	12,844,408	12,041,867	12,035,394	(6,473)
Federal sources	1,386,028	1,442,491	1,416,541	(25,950)
Interdistrict sources	13,123	20,516	27,168	6,652
Total general fund revenues	14,324,514	13,565,653	13,548,237	(17,416)
<b>Expenditures</b>				
Instruction				
Basic programs	4,742,133	4,440,416	4,377,078	(63,338)
Added needs	1,318,655	1,249,397	1,077,047	(172,350)
Support services				
Pupil support services	754,924	713,055	668,908	(44,147)
Instructional staff support services	427,350	403,248	400,041	(3,207)
General administration	1,916,438	1,889,632	1,874,853	(14,779)
School administration	982,875	966,837	944,960	(21,877)
Business support services	185,233	215,457	213,743	(1,714)
Operations and maintenance	1,069,596	1,138,010	1,109,651	(28,359)
Pupil transportation services	721,640	717,993	703,930	(14,063)
Central support services	185,295	207,710	182,748	(24,962)
Athletic activities	126,862	115,530	108,657	(6,873)
Food services	4,000	-	-	-
Community services	16,008	21,398	9,001	(12,397)
Capital outlay	51,000	136,243	279,090	142,847
Total general fund expenditures	12,502,009	12,214,926	11,949,707	(265,219)
Excess (deficiency) of revenues over expenditures	1,822,505	1,350,727	1,598,530	247,803
<b>Other Financing Sources (Uses)</b>				
Operating transfers out	(2,458,147)	(2,520,099)	(2,513,139)	6,960
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	(635,642)	(1,169,372)	(914,609)	254,763
Fund balance - July 1, 2016	2,375,900	2,375,900	2,375,900	-
Fund balance - June 30, 2017	\$ 1,740,258	\$ 1,206,528	\$ 1,461,291	\$ 254,763

## BRADFORD ACADEMY

### SCHEDULE OF REVENUES – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2017

#### Local Sources

Earnings on investments	\$	46
Other local revenues		69,088
		<hr/>
Total local sources		69,134

#### State Sources

At risk		785,596
Great start readiness program		506,465
Special education		90,463
State aid		10,652,870
		<hr/>
Total state sources		12,035,394

#### Federal Sources

IDEA		432,102
Title I		944,067
Title II A		24,056
Other program revenue		16,316
		<hr/>
Total federal sources		1,416,541

#### Interdistrict Sources

		<hr/>
		27,168
		<hr/>
Total general fund revenues	\$	13,548,237
		<hr/> <hr/>

## BRADFORD ACADEMY

### SCHEDULE OF EXPENDITURES – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2017

#### Basic Programs

Purchased services	\$ 4,219,332
Supplies and materials	144,317
Non-depreciable capital assets	12,305
Other expenditures	1,124
	<hr/>
Total basic programs	4,377,078

#### Added Needs

Purchased services	1,068,044
Supplies and materials	403
Other expenditures	8,600
	<hr/>
Total added needs	1,077,047

#### Pupil Support Services

Guidance services	292,505
Health services	24,188
Psychological services	31,025
Speech pathology and audiology	163,340
Social work services	157,850
	<hr/>
Total pupil support services	668,908

#### Instructional Staff Support Services

Purchased services	400,041
--------------------	---------

#### General Administration

Purchased services	157,341
Management fees	1,365,974
Authorizer oversight	347,582
Supplies and materials	1,406
Other expenditures	2,550
	<hr/>
Total general administration	1,874,853

## BRADFORD ACADEMY

### SCHEDULE OF EXPENDITURES – GENERAL FUND - CONTINUED FOR THE YEAR ENDED JUNE 30, 2017

#### School Administration

Purchased services	841,184
Rentals	30,861
Supplies and materials	50,237
Other expenditures	<u>22,678</u>
Total school administration	944,960

#### Business Support Services

Purchased services	121,245
Other expenditures	<u>92,498</u>
Total business support services	213,743

#### Operations and Maintenance

Purchased services	646,420
Repairs and maintenance	193,374
Supplies and materials	260,318
Non-depreciable capital assets	8,990
Other expenditures	<u>549</u>
Total operations and maintenance	1,109,651

#### Pupil Transportation Services

Purchased services	431,729
Rentals	158,910
Supplies and materials	105,507
Other expenditures	<u>7,784</u>
Total pupil transportation services	703,930

#### Central Support Services

Purchased services	72,696
Repairs and maintenance	101,687
Other purchased services	<u>8,365</u>
Total central support services	182,748

## BRADFORD ACADEMY

### SCHEDULE OF EXPENDITURES – GENERAL FUND - CONTINUED FOR THE YEAR ENDED JUNE 30, 2017

#### **Athletic Activities**

Purchased services	58,594
Other expenditures	<u>50,063</u>
Total athletic activities	108,657

#### **Community Services**

Purchased services	2,151
Supplies and materials	4,416
Other expenditures	<u>2,434</u>
Total community services	9,001

#### **Capital Outlay**

279,090

Total general fund expenditures	<u><u>\$ 11,949,707</u></u>
---------------------------------	-----------------------------

# APPENDIX

## Federal Awards Report

## 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 of Bradford Academy

We have audited, in accordance with the 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 the Bradford Academy, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Bradford Academy's basic financial statements, and have issued our report thereon dated October 25, 2017.

### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Bradford Academy'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 Bradford Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of Bradford Academy'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 the Bradford Academy’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.



Croskey Lanni, PC

October 25, 2017  
Rochester, Michigan



David M. Croskey, CPA  
Thomas B. Lanni, CPA  
Carolyn A. Jones, CPA, CFP® MST  
Clifton F. Powell Jr., CPA, CFP®, PFS  
Roger J. DeJong, CPA  
Patrick M. Sweeney, CPA  
Leonard A. Geronemus, CPA, PFS

## **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

**To the Board of Directors  
of Bradford Academy**

### **Report on Compliance for Each Major Federal Program**

We have audited the Bradford Academy's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Bradford Academy's major federal programs for the year ended June 30, 2017. Bradford Academy's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Bradford Academy's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Bradford Academy's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Bradford Academy's compliance.

### **Opinion on Each Major Federal Program**

In our opinion, Bradford Academy complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June, 30, 2017.

### **Report on Internal Control over Compliance**

Management of Bradford Academy is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Bradford Academy's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Bradford Academy's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Croskey Lanni, PC

October 25, 2017  
Rochester, Michigan

## BRADFORD ACADEMY

### SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2017

Program Title/Project Number Subrecipient Name	Grant/ Project Number	CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue at July 1, 2016	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures June 30, 2017	Accrued (Deferred) Revenue at June 30, 2017	Current Year Cash Transferred To Subrecipient
<b>Clusters:</b>										
<b>Child Nutrition Cluster - U.S. Department of Agriculture -</b>										
<b>Passed through Michigan Department of Education:</b>										
<b>Noncash Assistance (Commodities) -</b>										
National Lunch Program Bonus Commodities 2016-17	N/A	10.555	\$ 50,383	\$ -	\$ -	\$ -	\$ 50,383	\$ 50,383	\$ -	\$ -
<b>Cash Assistance:</b>										
National School Lunch Program 2016-2017	161960/ 171960	10.555	492,801	-	-	-	492,801	492,801	-	-
National School Lunch Program (including commodities) Subtotal		10.555	543,184	-	-	-	543,184	543,184	-	-
National School Breakfast Program 2016-2017	151970/ 161970	10.553	212,631	-	-	-	212,631	212,631	-	-
<b>Total Child Nutrition Cluster</b>										
			755,815	-	-	-	755,815	755,815	-	-
<b>Special Education Cluster - U.S. Department of Ed. -</b>										
<b>Passed through the Oakland Schools ISD</b>										
<b>IDEA Flowthrough:</b>										
IDEA Flowthrough 1415	150450	84.027A	312,872	15,061	15,061	-	15,061	-	-	-
IDEA Flowthrough 1516	160450	84.027A	363,912	310,207	310,207	-	363,911	53,704	-	-
IDEA Flowthrough 1617	170450	84.027A	397,992	-	-	-	217,040	376,573	159,533	-
Total IDEA Flowthrough		84.027A	1,074,776	325,268	325,268	-	596,012	430,277	159,533	-
<b>IDEA Preschool Incentive:</b>										
IDEA Preschool 1415	150460	84.173A	611	608	608	-	608	-	-	-
IDEA Preschool 1516	160460	84.173A	2,430	2,430	2,430	-	2,430	-	-	-
IDEA Preschool 1617	170460	84.173A	1,825	-	-	-	1,825	1,825	-	-
Total IDEA Preschool		84.173A	4,866	3,038	3,038	-	4,863	1,825	-	-
<b>Total Special Education Cluster</b>										
			1,079,642	328,306	328,306	-	600,875	432,102	159,533	-

See accompanying notes to schedule of expenditures of federal awards

**BRADFORD ACADEMY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - Continued  
FOR THE YEAR ENDED JUNE 30, 2017**

Program Title/Project Number Subrecipient Name	Grant/ Project Number	CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue at July 1, 2016	Adjustments and Transfers	Federal Funds/ Payments		Accrued (Deferred) Revenue at June 30, 2017	Current Year Cash Transferred To Subrecipient
							In-kind Received	Expenditures		
<b>Other federal awards:</b>										
<b>Passed through the Michigan Department of Education:</b>										
<b>Child and Adult Care Food Program:</b>										
Child and Adult Food Program 2015-2016	161920	10.558	4,647	4,944	297	-	297	-	-	-
Child and Adult Food Program 2015-2016	171920	10.558	4,997	-	-	-	4,700	4,908	208	-
Total Child and Adult Care Food Program			9,644	4,944	297	-	4,997	4,908	208	-
<b>Title I Part A:</b>										
Title I Part A 1516	161530	84.010	993,653	652,829	280,639	-	531,072	250,433	-	-
Title I Part A 1617	171530	84.010	967,404	-	-	-	277,422	693,634	416,212	-
Total Title I Part A			1,961,057	652,829	280,639	-	808,494	944,067	416,212	-
<b>Title II Part A - Improving Teacher Quality</b>										
Title II Part A 1516	160520	84.367	61,365	9,817	7,049	-	10,099	3,050	-	-
Title II Part A 1617	170520	84.367	56,759	-	-	-	3,560	21,006	17,446	-
Total Title I Part A			118,124	9,817	7,049	-	13,659	24,056	17,446	-
<b>Total noncluster programs passed through the Michigan Department of Education</b>										
			2,088,825	667,590	287,985	-	827,150	973,031	433,866	-
<b>Other federal awards (Continued):</b>										
<b>Passed through the Oakland Schools ISD:</b>										
<b>Medicaid Administrative Outreach:</b>										
Medicaid Administrative Outreach 1617	N/A	93.778	16,316	-	-	-	-	16,316	16,316	-
<b>Total noncluster programs passed through the Michigan Association of Public School Academies:</b>										
			16,316	-	-	-	-	16,316	16,316	-
<b>Total Federal Awards</b>			<b>\$3,940,598</b>	<b>\$ 995,896</b>	<b>\$ 616,291</b>	<b>\$ -</b>	<b>\$2,183,840</b>	<b>\$2,177,264</b>	<b>\$ 609,715</b>	<b>\$ -</b>

See accompanying notes to schedule of expenditures of federal awards

## BRADFORD ACADEMY

### RECONCILIATION OF BASIC FINANCIAL STATEMENTS FEDERAL RECEIVABLES AND REVENUES WITH SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2017

#### Revenue to Expenditures

Revenue from federal sources - As reported on modified accrual financial statements  
(includes all funds):

General Fund	\$ 1,416,541
Special Revenue Fund	<u>760,723</u>
Federal expenditures per the schedule of expenditures of federal awards	<u>\$ 2,177,264</u>

#### Receivables

Receivables from federal sources - As reported on financial statements	\$ 642,203
Timing difference between MDE payment and Academy receipt	<u>(32,488)</u>
Federal receivables per the schedule of expenditures of federal awards	<u>\$ 609,715</u>

## **BRADFORD ACADEMY**

### **NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2017**

#### **NOTE 1 – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Bradford Academy under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Bradford Academy, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Bradford Academy.

#### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

#### **NOTE 3 – INDIRECT COST RATE**

Bradford Academy has elected to not use the 10-percent *de minimis* indirect cost rate allowed under the Uniform Guidance.

#### **NOTE 4 - NONCASH ASSISTANCE**

The value of the noncash assistance received was determined in accordance with the provisions of Uniform Guidance.

#### **NOTE 5 - GRANT AUDITOR'S REPORT**

Management has utilized the Grant Auditor's report in preparing the schedule of expenditures of federal awards. Unreconciled differences, if any, have been disclosed to the auditor.

# BRADFORD ACADEMY

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2017

### SECTION I - SUMMARY OF THE AUDITOR'S RESULTS

#### *Financial Statements*

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?  yes  no
  - Significant deficiency(ies) identified that are not considered to be a material weakness(es)?  yes  none reported
- Noncompliance material to financial statements noted?  yes  no

#### *Federal Awards*

Internal control over major programs:

- Material weakness(es) identified?  yes  no
- Significant deficiency(ies) identified that are not considered to be a material weakness(es)?  yes  none reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?  yes  no

Identification of major programs:

CFDA Number(s)  
#84.010

Name of Federal Program or Cluster  
Title I Part A

Dollar threshold used to distinguish between Type A and Type B programs as described in 2 CFR section 200.518(b): \$ 750,000

Auditee qualified as low-risk auditee?  yes  no

### SECTION II – FINANCIAL STATEMENT FINDINGS

None

### SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None



October 25, 2017

To the School Board and Management of  
Bradford Academy

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bradford Academy for the year ended, June 30, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you. Professional standards also require that we communicate to you the following information related to our audit.

### Significant Audit Findings

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting polices used by Bradford Academy are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2017. We noted no transactions entered into by Bradford Academy during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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 estimates affecting the Academy's financial statements was:

Management's estimate of depreciation is based on management's best judgement of the useful lives of the assets. We evaluated the key factors and assumptions used to develop the depreciable lives in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

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

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

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly 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 each Academy's financial statements taken as a whole.

#### *Disagreements with Management*

For purposes of this letter, a disagreement with management is 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.

#### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated, October 25, 2017.

#### *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 Bradford Academy'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.

*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 Bradford Academy's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the management's discussion and analysis, and the Budgetary Comparison Schedule and Schedule of Expenditures of Federal Awards, which are required supplementary information (RSI) that supplements 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.

We were engaged to report on the Schedules of Revenues and Expenditures, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

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

Very truly yours,



Croskey Lanni, PC