



**MUELLER & CO., LLP**

*Certified Public Accountants – Business & Financial Advisors*

**ASSURANCE**

**MICHIGAN MATHEMATICS AND SCIENCE ACADEMY**  
**ANNUAL FINANCIAL REPORT**  
**YEAR ENDED JUNE 30, 2018**

**MUELLER**

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**MICHIGAN MATHEMATICS AND SCIENCE ACADEMY  
ANNUAL FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2018**

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To the Board of Directors  
Michigan Mathematics and Science Academy

## **INDEPENDENT AUDITOR'S REPORT**

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

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Michigan Mathematics and Science Academy as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the 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 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, the major fund, and the aggregate remaining fund information of Michigan Mathematics and Science Academy as of June 30, 2018, and the respective changes in financial position thereof and the budgetary comparison for the General Fund 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 on pages iv - ix 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 Academy's 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* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2018, on our consideration of the 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 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 the Academy'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 the Academy's internal control over financial reporting and compliance.

*Muller & Co., LLP*

Orland Park, Illinois  
November 6, 2018

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**MICHIGAN MATHEMATICS AND SCIENCE ACADEMY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018**

As management of Michigan Mathematics and Science Academy (the Academy), we offer readers of the Academy's Annual Financial Report this narrative and analysis of the financial activities of the Academy for the fiscal year ended June 30, 2018.

**Financial Highlights**

- The assets of the Academy exceeded its liabilities at the close of the most recent fiscal year by \$806,802 (net position).
- Governmental activities have an unrestricted net position of \$319,074.
- The total net position of the Academy decreased by \$267,208 during fiscal year 2018.
- Fund balance of the Academy's governmental funds decreased by \$155,327 resulting in an ending fund balance of \$294,326.
- During the current fiscal year, fund balance in the Academy's General Fund decreased by \$155,327.

**Overview of the Financial Statements**

Management's discussion and analysis is intended to serve as an introduction to the Academy's basic financial statements. The basic financial statements presented on pages 1 - 20 are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to basic financial statements.

**Government-wide Financial Statements**

The government-wide financial statements are designed to provide the reader of the Academy's Annual Financial Report a broad overview of the financial activities in a manner similar to a private sector business. The government-wide financial statements include the statement of net position and the statement of activities.

The statement of net position presents information about all of the Academy's assets, liabilities, and net position as reported using the accrual basis of accounting. Over time, changes in net position may serve as a useful indicator of whether the financial position of the Academy is improving or deteriorating.

The statement of activities presents information showing how the net position of the Academy changed during the current fiscal year. Changes in net position are recorded in the statement of activities when the underlying event occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement even though the resulting cash flow may be recorded in a future period.

**MICHIGAN MATHEMATICS AND SCIENCE ACADEMY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018**

The government-wide financial statements present the functions of the Academy that are principally supported by intergovernmental revenues (governmental activities). The Academy has no business-type activities; that is, functions that are intended to recover all or a significant portion of their costs through user fees and charges. The Academy's governmental activities include instruction, support services, and food service.

The government-wide financial statements can be found on pages 1 - 2 of this report.

**Fund Financial Statements**

Fund financial statements are designed to demonstrate compliance with finance-related requirements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific objectives. Fund financial statements for the Academy include governmental funds.

Governmental funds account for essentially the same information reported in the governmental activities of the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Academy's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Academy's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Academy maintains two different governmental funds. The major fund is the General Fund. It is presented separately in the fund financial statements with the remaining governmental fund labeled "nonmajor governmental fund."

The Academy adopts an annual appropriated budget for each of the governmental funds. A budgetary comparison for the General Fund is included in the basic financial statements section of this report to demonstrate compliance with the adopted budget.

The basic governmental fund financial statements can be found on pages 3 - 9 of this report.

**Notes to Basic Financial Statements**

The notes to basic financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes can be found on pages 10 - 20 of this report.

**MICHIGAN MATHEMATICS AND SCIENCE ACADEMY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018**

**Government-wide Financial Analysis**

As noted earlier, net position over time may serve as a useful indicator of an entity's financial position. The Academy's assets exceeded its liabilities by \$806,802 at the close of the most recent fiscal year.

	<u>Net Position as of June 30,</u>	
	<u>2018</u>	<u>2017</u>
Assets:		
Cash	\$ 161,001	\$ 315,526
Receivables	1,091,400	1,091,271
Noncurrent assets:		
Deposits	11,690	170,000
Capital assets	<u>2,319,520</u>	<u>444,713</u>
Total assets	<u>3,583,611</u>	<u>2,021,510</u>
Liabilities:		
Accounts payable and accrued expenses	763,985	907,400
State aid anticipation note	181,032	40,100
General obligation bonds payable	<u>1,831,792</u>	<u>-</u>
Total liabilities	<u>2,776,809</u>	<u>947,500</u>
Net position:		
Net investment in capital assets	487,728	444,713
Unrestricted	<u>319,074</u>	<u>629,297</u>
Total net position	<u>\$ 806,802</u>	<u>\$ 1,074,010</u>

A portion of the Academy's net position reflects its investment in capital assets (e.g., land, building, furniture equipment, and leasehold improvements), less any related outstanding debt that was used to acquire those assets. The remaining balance of \$319,074 is unrestricted and may be used to fund the Academy's operations.

**MICHIGAN MATHEMATICS AND SCIENCE ACADEMY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018**

**Governmental Activities**

The Academy's overall net position decreased by \$267,208 from the prior fiscal year.

	<u>Change in Net Position for the Fiscal Years Ended June 30,</u>	
	<u>2018</u>	<u>2017</u>
Revenues:		
Program revenues:		
Operating grants and contributions	\$ 1,389,480	\$ 1,292,940
General revenues:		
State aid - unrestricted	4,181,066	4,532,062
Other income	<u>99,157</u>	<u>54,006</u>
Total general revenues	<u>4,280,223</u>	<u>4,586,068</u>
Total revenues	<u>5,669,703</u>	<u>5,879,008</u>
Expenses:		
Governmental activities:		
Instruction	2,943,442	2,587,283
Support services	2,431,635	2,815,071
Food service	232,615	237,808
Depreciation (unallocated)	185,604	167,636
Interest expense (unallocated)	<u>143,615</u>	<u>7,611</u>
Total expenses	<u>5,936,911</u>	<u>5,815,409</u>
Change in net position	(267,208)	63,599
Net position at beginning of year	<u>1,074,010</u>	<u>1,010,411</u>
Net position at end of year	<u>\$ 806,802</u>	<u>\$ 1,074,010</u>

**MICHIGAN MATHEMATICS AND SCIENCE ACADEMY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018**

**Financial Analysis of the Academy's Funds**

As of the end of the current fiscal year, the Academy's governmental funds reported a total ending fund balance of \$294,326, a decrease of \$155,327 in comparison with the prior year.

The total fund balance of the Academy's governmental funds was comprised of a nonspendable amount of \$11,690 and an unassigned fund balance of \$282,636.

**General Fund Budgetary Highlights**

During the current fiscal year, the operations of the General Fund resulted in a positive budget variance of \$290,562. The variance was primarily due to lower than anticipated instruction, support services, and state aid anticipation debt service expenditures, offset by the effects of the acquisition of land and a building and the related issuance of general obligation bonds used to finance the acquisition.

The original budget as passed by the Board of Directors was amended during the year.

**Capital Assets and Debt Administration**

*Capital Assets.* The Academy's investment in capital assets for its governmental activities as of June 30, 2018 totaled \$2,319,520 (net of accumulated depreciation), an increase of \$1,874,807 over the prior year. The increase in capital assets was primarily the result of the acquisition of land and a building.

	<u>Capital Assets as of June 30,</u>	
	<u>2018</u>	<u>2017</u>
Land	\$ 187,088	\$ -
Building	1,677,892	-
Furniture and equipment	757,537	590,477
Leasehold improvements	643,704	615,333
Less accumulated depreciation	<u>(946,701)</u>	<u>(761,097)</u>
Net capital assets	<u>\$ 2,319,520</u>	<u>\$ 444,713</u>

Additional information on the Academy's capital assets can be found in the notes to basic financial statements.

*Debt Administration.* During the year ended June 30, 2018, the Academy issued general obligation bonds of \$1,917,500. Proceeds from the bond issuance were used to finance the acquisition of land and a building.

Additional information on the general obligation bonds and the Academy's state aid anticipation notes can be found in the notes to basic financial statements.

**MICHIGAN MATHEMATICS AND SCIENCE ACADEMY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018**

**Economic Factors and Next Year's Budget**

The Academy's adopted budget for fiscal year 2019 reflects a budgeted surplus of \$80,062.

**Requests for Information**

This financial report is designed to provide a general overview of the Academy's finances for all those with an interest in the Academy. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Academy's management company:

Concept Schools  
1336 Basswood Road  
Schaumburg, IL 60173

## **BASIC FINANCIAL STATEMENTS**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**MICHIGAN MATHEMATICS AND SCIENCE ACADEMY  
STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES  
JUNE 30, 2018**

**ASSETS**

Cash	\$ 161,001
Receivables:	
Grants	227,086
Intergovernmental	864,314
Deposits	11,690
Capital assets not being depreciated:	
Land	187,088
Capital assets, net of accumulated depreciation:	
Building	1,646,432
Furniture and equipment	322,676
Leasehold improvements	<u>163,324</u>
Total assets	<u>3,583,611</u>

**LIABILITIES**

Accounts payable	148,709
Accrued salaries and related items	587,745
Accrued expenses - other	27,531
State aid anticipation note	181,032
General obligation bonds payable	<u>1,831,792</u>
Total liabilities	<u>2,776,809</u>

**NET POSITION**

Net investment in capital assets	487,728
Unrestricted	<u>319,074</u>
Total net position	<u>\$ 806,802</u>

See notes to basic financial statements.

**MICHIGAN MATHEMATICS AND SCIENCE ACADEMY  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2018**

	<u>Expenses</u>	<u>Program Revenues Operating Grants and Contributions</u>	<u>Net (Expense) Revenue and Change in Net Position</u>
Functions/programs:			
Governmental activities:			
Instruction	\$ 2,943,442	\$ 575,865	\$ (2,367,577)
Support services	2,431,635	581,000	(1,850,635)
Food service	232,615	232,615	-
Depreciation (unallocated)	185,604	-	(185,604)
Interest expense (unallocated)	<u>143,615</u>	<u>-</u>	<u>(143,615)</u>
Total governmental activities	<u>\$ 5,936,911</u>	<u>\$ 1,389,480</u>	<u>(4,547,431)</u>
General revenues:			
State aid - unrestricted			4,181,066
Other income			<u>99,157</u>
Total general revenues			<u>4,280,223</u>
Change in net position			(267,208)
Net position at beginning of year			<u>1,074,010</u>
Net position at end of year			<u>\$ 806,802</u>

See notes to basic financial statements.

**FUND FINANCIAL STATEMENTS**

**MICHIGAN MATHEMATICS AND SCIENCE ACADEMY  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2018**

	<u>General Fund</u>	<u>Nonmajor Governmental Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash	\$ 161,001	\$ -	\$ 161,001
Receivables:			
Grants	227,086	-	227,086
Intergovernmental	864,314	-	864,314
Deposits	<u>11,690</u>	<u>-</u>	<u>11,690</u>
Total assets	<u>\$ 1,264,091</u>	<u>\$ -</u>	<u>\$ 1,264,091</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 148,709	\$ -	\$ 148,709
Accrued salaries and related items	587,745	-	587,745
Accrued expenditures - other	27,531	-	27,531
State aid anticipation note	<u>181,032</u>	<u>-</u>	<u>181,032</u>
Total liabilities	<u>945,017</u>	<u>-</u>	<u>945,017</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - federal sources	<u>24,748</u>	<u>-</u>	<u>24,748</u>
<b>FUND BALANCES</b>			
Nonspendable	11,690	-	11,690
Unassigned	<u>282,636</u>	<u>-</u>	<u>282,636</u>
Total fund balances	<u>294,326</u>	<u>-</u>	<u>294,326</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,264,091</u>	<u>\$ -</u>	<u>\$ 1,264,091</u>

See notes to basic financial statements.

**MICHIGAN MATHEMATICS AND SCIENCE ACADEMY  
RECONCILIATION OF FUND BALANCES OF GOVERNMENTAL  
FUNDS TO NET POSITION OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2018**

Fund balances - total governmental funds	\$	294,326
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, therefore, are not reported in the funds.		2,319,520
Amounts receivable from governmental units that are unavailable to pay for current period expenditures are reported as unavailable revenue in the funds.		24,748
<p>Long-term liabilities, including bonds and debt certificates payable, are not due and payable in the current year and, therefore, are not reported as liabilities in the funds. Also, governmental funds report the effect of premiums, discounts and similar items when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Long-term liabilities and related accounts at year-end consist of the following:</p>		
General obligation bonds payable		<u>(1,831,792)</u>
Net position of governmental activities	\$	<u><u>806,802</u></u>

See notes to basic financial statements.

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

	<u>General Fund</u>	<u>Nonmajor Governmental Fund</u>	<u>Total Governmental Funds</u>
Revenues:			
Local sources:			
Other	\$ 99,157	\$ -	\$ 99,157
State sources:			
State aid	4,756,931	8,798	4,765,729
Federal sources:			
Grants-in-aid	<u>735,896</u>	<u>223,817</u>	<u>959,713</u>
Total revenues	<u>5,591,984</u>	<u>232,615</u>	<u>5,824,599</u>
Expenditures:			
Current:			
Instruction:			
Basic programs	2,526,954	-	2,526,954
Added needs	<u>654,591</u>	<u>-</u>	<u>654,591</u>
Total instruction	<u>3,181,545</u>	<u>-</u>	<u>3,181,545</u>
Support services:			
Pupil	297,724	-	297,724
General administration	287,131	-	287,131
School administration	546,352	-	546,352
Business services	21,342	-	21,342
Operations and maintenance	874,270	-	874,270
Pupil transportation	39,697	-	39,697
Central	316,445	-	316,445
Food service	<u>-</u>	<u>232,615</u>	<u>232,615</u>
Total support services	<u>2,382,961</u>	<u>232,615</u>	<u>2,615,576</u>
Community service activities	<u>98</u>	<u>-</u>	<u>98</u>

(continued)

See notes to basic financial statements.

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

	<u>General Fund</u>	<u>Nonmajor Governmental Fund</u>	<u>Total Governmental Funds</u>
Capital outlay	<u>1,870,884</u>	<u>-</u>	<u>1,870,884</u>
Debt service:			
Principal:			
General obligation bonds	85,708	-	85,708
Interest:			
General obligation bonds	78,227	-	78,227
State aid anticipation notes	19,608	-	19,608
Bond issuance costs	<u>45,780</u>	<u>-</u>	<u>45,780</u>
Total debt service	<u>229,323</u>	<u>-</u>	<u>229,323</u>
Total expenditures	<u>7,664,811</u>	<u>232,615</u>	<u>7,897,426</u>
Deficiency of revenues over expenditures	(2,072,827)	-	(2,072,827)
Other financing sources:			
Proceeds from general obligation bonds	<u>1,917,500</u>	<u>-</u>	<u>1,917,500</u>
Net change in fund balances	(155,327)	-	(155,327)
Fund balances at beginning of year	<u>449,653</u>	<u>-</u>	<u>449,653</u>
Fund balances at end of year	<u>\$ 294,326</u>	<u>\$ -</u>	<u>\$ 294,326</u> (concluded)

See notes to basic financial statements.

**MICHIGAN MATHEMATICS AND SCIENCE ACADEMY  
RECONCILIATION OF THE NET CHANGE IN FUND BALANCES  
OF GOVERNMENTAL FUNDS TO THE CHANGE IN NET  
POSITION OF GOVERNMENTAL ACTIVITIES  
YEAR ENDED JUNE 30, 2018**

Net change in fund balances - total governmental funds	\$ (155,327)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capitalized expenditures (\$2,060,411) exceeded depreciation expense (\$185,604) in the current period.	1,874,807
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Revenues in the statement of activities that do not provide current financial resources are reported as unavailable revenue in the governmental funds. This is the amount by which unavailable revenues changed from the prior year.	(154,896)
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The issuance of long-term debt (e.g., bonds, installment contracts) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt uses current financial resources of governmental funds. Neither transaction, however, has any effect on net position. The net effect of these differences in the treatment of long-term debt and related items is summarized as follows:

Issuance of general obligation bonds	\$ (1,917,500)
Principal repayments of general obligation bonds	<u>85,708</u>

Total	<u>(1,831,792)</u>
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Change in net position of governmental activities	<u>\$ (267,208)</u>
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See notes to basic financial statements.

**MICHIGAN MATHEMATICS AND SCIENCE ACADEMY  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES - BUDGETARY BASIS - BUDGET AND ACTUAL - GENERAL FUND  
YEAR ENDED JUNE 30, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:				
Local sources	\$ 64,372	\$ 101,000	\$ 99,157	\$ (1,843)
State sources	4,761,990	4,706,100	4,756,931	50,831
Federal sources	569,580	711,580	735,896	24,316
<b>Total revenues</b>	<u>5,395,942</u>	<u>5,518,680</u>	<u>5,591,984</u>	<u>73,304</u>
Expenditures:				
Current:				
Instruction:				
Basic programs	2,473,727	2,529,000	2,526,954	2,046
Added needs	425,943	570,000	654,591	(84,591)
<b>Total instruction</b>	<u>2,899,670</u>	<u>3,099,000</u>	<u>3,181,545</u>	<u>(82,545)</u>
Support services:				
Pupil	256,953	295,000	297,724	(2,724)
Instructional staff	-	51,000	-	51,000
General administration	529,695	410,000	287,131	122,869
School administration	717,571	543,637	546,352	(2,715)
Business services	30,581	115,000	21,342	93,658
Operations and maintenance	1,171,176	950,000	874,270	75,730
Pupil transportation	25,000	40,000	39,697	303
Central	201,633	320,000	316,445	3,555
<b>Total support services</b>	<u>2,932,609</u>	<u>2,724,637</u>	<u>2,382,961</u>	<u>341,676</u>
Community service activities	2,000	-	98	(98)
Capital outlay	-	-	1,870,884	(1,870,884)
Debt service:				
Principal:				
General obligation bonds	-	-	85,708	(85,708)
State aid anticipation notes	1,013,000	1,013,000	872,068	140,932
Interest:				
General obligation bonds	-	-	78,227	(78,227)
State aid anticipation notes	-	-	19,608	(19,608)
Bond issuance costs	-	-	45,780	(45,780)
<b>Total debt service</b>	<u>1,013,000</u>	<u>1,013,000</u>	<u>1,101,391</u>	<u>(88,391)</u>
<b>Total expenditures</b>	<u>6,847,279</u>	<u>6,836,637</u>	<u>8,536,879</u>	<u>(1,700,242)</u>

(continued)

See notes to basic financial statements.

**MICHIGAN MATHEMATICS AND SCIENCE ACADEMY  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES - BUDGETARY BASIS - BUDGET AND ACTUAL - GENERAL FUND  
YEAR ENDED JUNE 30, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Deficiency of revenues over expenditures	<u>(1,451,337)</u>	<u>(1,317,957)</u>	<u>(2,944,895)</u>	<u>(1,626,938)</u>
Other financing sources:				
Proceeds from state aid anticipation notes	1,013,000	1,013,000	1,013,000	-
Proceeds from general obligation bonds	<u>-</u>	<u>-</u>	<u>1,917,500</u>	<u>1,917,500</u>
Total other financing sources	<u>1,013,000</u>	<u>1,013,000</u>	<u>2,930,500</u>	<u>1,917,500</u>
Net change in fund balances	(438,337)	(304,957)	(14,395)	<u>\$ 290,562</u>
Fund balances at beginning of year (non-GAAP budgetary basis)	<u>789,464</u>	<u>416,849</u>	<u>428,867</u>	
Fund balances at end of year (non-GAAP budgetary basis)	<u>\$ 351,127</u>	<u>\$ 111,892</u>	<u>\$ 414,472</u>	(concluded)

Note:

Under the budgetary basis of accounting, proceeds from the state aid anticipation notes are reported as an other financing source. Principal repayments of the state aid anticipation notes are reported as debt service expenditures. Accounting principles generally accepted in the United States of America (GAAP) require short-term debt transactions be accounted for within the governmental fund balance sheet. The reconciliation of fund balance (non-GAAP budgetary basis) to fund balance (GAAP basis) is as follows:

Fund balance at end of year (non-GAAP budgetary basis)	\$ 414,472
Less proceeds from the state aid anticipation notes	(1,013,000)
Plus principal repayments of the state aid anticipation notes	872,068
Less cumulative effect of prior year budgetary differences	<u>20,786</u>
Fund balance at end of year (GAAP basis)	<u>\$ 294,326</u>

See notes to basic financial statements.

**NOTES TO BASIC FINANCIAL STATEMENTS**

**MICHIGAN MATHEMATICS AND SCIENCE ACADEMY  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018**

**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 Michigan Mathematics and Science Academy (the "Academy"). The Academy currently does not have fiduciary activities. Governmental activities are generally supported by intergovernmental revenues and other nonexchange transactions.

**B. Reporting Entity**

The Academy is a public school academy as part of the Michigan Public School System under Public Act No. 362 of 1993. Grand Valley State University is the authorizing governing body for the Academy and has contracted with the Academy to charter the public school through June, 2023. 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 accounting principles generally accepted in the United States of America.

These financial statements include the Academy and its component units, entities for which the Academy is considered to be financially accountable. At June 30, 2018, no entities were considered component units of the Academy.

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

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities incorporate data from governmental funds. Separate financial statements are provided for 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.

**MICHIGAN MATHEMATICS AND SCIENCE ACADEMY  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018**

The Academy reports the following major governmental fund:

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 in another fund.

The Academy has the following nonmajor governmental fund:

Special revenue fund:

This fund type accounts for specific revenue sources that are restricted by law or administrative action to expenditure for specific purposes other than debt service or capital projects. The Academy's nonmajor special revenue fund is the School Lunch 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 as transfers in/out. While reported in fund financial statements, the transfers 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 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 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 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.

**MICHIGAN MATHEMATICS AND SCIENCE ACADEMY  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018**

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 amount is received during the period or within the availability period for this revenue source (collected within 60 days of the end of the current fiscal period).

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. For the current year ended, the foundation allowance was based on pupil membership counts taken in February and October of the previous calendar year.

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.

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 considered to be measurable and available only when cash is received by the Academy.

**F. Budgetary Information**

Annual budgets are adopted on the budgetary basis of accounting for all governmental funds. The level of control (level at which expenditures may not exceed budget/appropriations) is the fund. The budget appropriations lapse at the end of each fiscal year. The Academy does not utilize an encumbrance system. The Academy follows these procedures in establishing the budgetary data reflected in the financial statements.

1. The Administrator 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.
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.

**MICHIGAN MATHEMATICS AND SCIENCE ACADEMY  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018**

The budget was amended during the year in accordance with the Act. However, the budget amendment did not include the capital outlay expenditures of \$1,870,884 related to the acquisition of land and a building, nor did the amendment include the net bond proceeds of \$1,871,720 (general obligation bond proceeds of \$1,917,500 less bond issuance costs of \$45,780), that were used to finance the acquisition. Total expenditures for the year ended June 30, 2018, not including the above-mentioned capital outlay expenditures and bond issuance costs, were \$6,620,215, which was \$216,422 less than the amended total expenditure amount.

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

**1. Cash and Investments**

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.

**2. Capital Assets**

Capital assets, which include land, building, furniture and equipment, and leasehold improvements, reported in the government-wide financial statements are defined by the Academy as assets with an initial, individual cost of more than \$1,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

The building, furniture and equipment, and leasehold improvements are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Building	40
Furniture and equipment	3-10
Leasehold improvements	5-10

**MICHIGAN MATHEMATICS AND SCIENCE ACADEMY  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018**

**3. *Deferred Outflows/Inflows of Resources***

In addition to assets, the financial statements 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 and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The Academy currently does not have any items that qualify for reporting in this category.

In addition to liabilities, the financial statements 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 and so will *not* be recognized as an inflow of resources (revenues) until that time. The Academy has only one type of item that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported in the governmental funds balance sheet. The Academy reports unavailable revenue from federal and state sources. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**4. *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. Bond premiums and discounts, as well as gains (losses) on refundings, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Gains (losses) on refundings are reported as deferred inflows (outflows) of resources. Bond issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenses.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond 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.

**5. *Net Position Flow Assumption***

Sometimes the Academy will fund outlays for a particular purpose from both restricted (e.g., restricted 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.

**MICHIGAN MATHEMATICS AND SCIENCE ACADEMY  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018**

**6. *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.

**7. *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 resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) 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 individual to whom 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. *Program Revenues***

Amounts reported as program revenues include 1) charges to individuals or entities that 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 or capital 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.

**MICHIGAN MATHEMATICS AND SCIENCE ACADEMY  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018**

**I. Estimates**

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets, liabilities, and deferred outflows/inflows of resources; the disclosure of contingent assets and liabilities; and the reported revenues and expenses/expenditures. Actual results could differ from those estimates.

**2. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS**

**A. Deposits**

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Academy's deposits might not be recovered. The Academy minimizes custodial credit risk on deposits by assessing the credit worthiness of the individual institutions in which it deposits funds. The amount of deposits with each institution is assessed to determine the level of risk it may pose to the Academy in relation to deposits in excess of insured amounts. As of June 30, 2018, the Academy's bank balances were fully insured.

**B. Intergovernmental Receivables**

Intergovernmental receivables consist of amounts due from the state of Michigan. The Academy considers its intergovernmental receivables to be fully collectible; accordingly, an allowance for uncollectible intergovernmental receivables has not been established.

**C. Capital Assets**

Capital asset activity for the year ended June 30, 2018 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Transfers/ Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ -	\$ 187,088	\$ -	\$ 187,088
Capital assets being depreciated:				
Building	-	1,677,892	-	1,677,892
Furniture and equipment	590,477	167,060	-	757,537
Leasehold improvements	<u>615,333</u>	<u>28,371</u>	<u>-</u>	<u>643,704</u>
Total capital assets being depreciated	<u>1,205,810</u>	<u>1,873,323</u>	<u>-</u>	<u>3,079,133</u>

**MICHIGAN MATHEMATICS AND SCIENCE ACADEMY  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Transfers/ Decreases</u>	<u>Ending Balance</u>
Less accumulated depreciation for:				
Building	-	(31,460)	-	(31,460)
Furniture and equipment	(324,706)	(110,155)	-	(434,861)
Leasehold improvements	(436,391)	(43,989)	-	(480,380)
Total accumulated depreciation	<u>(761,097)</u>	<u>(185,604)</u>	<u>-</u>	<u>(946,701)</u>
Total capital assets being depreciated, net	<u>444,713</u>	<u>1,687,719</u>	<u>-</u>	<u>2,132,432</u>
Governmental activities capital assets, net	<u>\$ 444,713</u>	<u>\$ 1,874,807</u>	<u>\$ -</u>	<u>\$ 2,319,520</u>

Depreciation expense for the year ended June 30, 2018 was \$185,604. The Academy determined that it was impracticable to allocate depreciation to the various governmental activities as the assets serve multiple functions.

**D. Short-term Debt**

In August, 2017, the Academy issued a \$1,013,000 state aid anticipation note. The note is due in monthly installments of \$94,621, including interest at 4.75%, through August, 2018. The note is secured by future school aid payments. The outstanding balance at June 30, 2018 was \$181,032.

The activity during the year was as follows:

<u>Beginning Balance</u>	<u>Additions</u>	<u>Repayments</u>	<u>Ending Balance</u>
<u>\$ 40,100</u>	<u>\$ 1,013,000</u>	<u>\$ (872,068)</u>	<u>\$ 181,032</u>

**E. Long-term Debt**

***General Obligation Bonds***

The Academy issued \$1,267,500 of Public School Academy Revenue Bonds, Series 2017 (General Obligation) that are due in monthly installments of \$13,326 including interest at 4.74%, with a final balloon payment of \$720,052 due in September, 2022. The bonds are collateralized by substantially all assets of the Academy. Payments are to be funded by the operations of the General Fund. Annual debt service requirements are as follows:

**MICHIGAN MATHEMATICS AND SCIENCE ACADEMY  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018**

Year Ending June 30,	Principal	Interest	Total
2019	\$ 113,485	\$ 59,757	\$ 173,242
2020	109,917	49,999	159,916
2021	115,455	44,461	159,916
2022	121,127	38,789	159,916
2023	<u>740,701</u>	<u>8,848</u>	<u>749,549</u>
Total	<u>\$ 1,200,685</u>	<u>\$ 201,854</u>	<u>\$ 1,402,539</u>

The Academy issued \$650,000 of Public School Academy Subordinate Revenue Bonds, Series 2017 (General Obligation) that are due in monthly installments of \$5,842 including interest at 7.00%, with a final balloon payment of \$506,074 due in September, 2022. The bonds are collateralized by substantially all assets of the Academy. Payments are to be funded by the operations of the General Fund. Annual debt service requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2019	\$ 26,779	\$ 43,325	\$ 70,104
2020	28,715	41,389	70,104
2021	30,791	39,313	70,104
2022	33,017	37,087	70,104
2023	<u>511,805</u>	<u>5,954</u>	<u>517,759</u>
Total	<u>\$ 631,107</u>	<u>\$ 167,068</u>	<u>\$ 798,175</u>

Total future debt service requirements for the outstanding debt listed above are as follows:

Year Ending June 30,	Principal	Interest	Total
2019	\$ 140,264	\$ 103,082	\$ 243,346
2020	138,632	91,388	230,020
2021	146,246	83,774	230,020
2022	154,144	75,876	230,020
2023	<u>1,252,506</u>	<u>14,802</u>	<u>1,267,308</u>
Total	<u>\$ 1,831,792</u>	<u>\$ 368,922</u>	<u>\$ 2,200,714</u>

**MICHIGAN MATHEMATICS AND SCIENCE ACADEMY  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018**

The agreement covering the above general obligation bonds contains a restrictive covenant requiring the Academy to meet a specified debt service coverage ratio. The Academy did not meet this covenant for the year ended June 30, 2018. As a result, the outstanding balance of the general obligation bonds payable is considered to be a current liability for financial reporting purposes.

Long-term liability activity for the year ended June 30, 2018 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Adjustments/ Reductions</u>	<u>Ending Balance</u>
Governmental activities:				
General obligation bonds	\$ <u>          -</u>	\$ <u>  1,917,500</u>	\$ <u>     (85,708)</u>	\$ <u>  1,831,792</u>

**F. Oversight Fees**

The Academy pays an administrative oversight fee of 3% of its state school aid to Grand Valley State University, 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. Oversight fees for the year ended June 30, 2018 totaled \$125,280.

**G. Management Agreement and Related Party Transactions**

The Academy has entered into a management agreement with Concept Schools (Concept) for operations of the Academy. The agreement automatically renews each year unless terminated by either party. Although the agreement terms indicate that the Academy is obligated to pay Concept 10% of the per pupil revenues received by the Academy, including grant funding, Concept may charge the Academy a lesser amount for management fees. Management fees for the year ended June 30, 2018 totaled \$120,000.

**H. Purchased Services**

The Academy leases virtually all employees from an unrelated professional employer organization (PEO). Salaries, retirement benefits, Social Security, health insurance, and unemployment taxes are the responsibility of the PEO. The amount payable to the PEO at June 30, 2018 of approximately \$588,000 includes payroll costs earned through June 30, 2018 that will be paid in July and August, 2018.

**MICHIGAN MATHEMATICS AND SCIENCE ACADEMY  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018**

**3. OTHER INFORMATION**

**A. Risk Management**

The Academy is exposed to various risks of loss related to torts; thefts of, damage to and destruction of assets; errors and omissions; and workers' compensation for which the Academy carries commercial insurance. The amount of coverage has not decreased nor have the amount of settlements exceeded coverage in the current year or the past three years.

**B. Operating Lease**

The Academy has entered into a lease agreement through June, 2020 with an unrelated third party for a school building, parking lot and athletic field located in Warren, Michigan. The Academy is responsible for utilities, taxes and maintenance related to the facilities. Rent is payable on a monthly basis and is equal to 1/12th of ten percent (10%) of the unrestricted state school aid and unrestricted grants. Rent expense for the year ended June 30, 2018, net of sublease income of \$182,400, was \$335,731.

Future minimum lease payments in years ending June 30 are estimated as follows. These payments will fluctuate based on the amount of Discretionary Payment and PSA-protected payments received by the Academy. The sublease agreement expired on June 30, 2018.

2019	\$	600,000
2020		<u>600,000</u>
Total	\$	<u>1,200,000</u>

**C. Subsequent Events**

Management has evaluated subsequent events through November 6, 2018, which is the date the financial statements were available to be issued.



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To the Board of Directors  
Michigan Mathematics and Science Academy

**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***

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, the major fund, and the aggregate remaining fund information of Michigan Mathematics and Science Academy as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Michigan Mathematics and Science Academy's basic financial statements, and have issued our report thereon dated November 6, 2018.

**Internal Control over Financial Reporting**

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

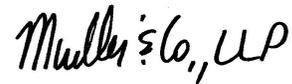
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 Michigan Mathematics and Science 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.

A handwritten signature in black ink that reads "Muller & Co., LLP". The signature is written in a cursive, slightly slanted style.

Orland Park, Illinois  
November 6, 2018

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**



14300 Ravinia Avenue ■ Orland Park, Illinois ■ 60462  
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To the Board of Directors  
Michigan Mathematics and Science Academy

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

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

We have audited Michigan Mathematics and Science 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 Michigan Mathematics and Science Academy's major federal programs for the year ended June 30, 2018. Michigan Mathematics and Science 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 Michigan Mathematics and Science 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 Michigan Mathematics and Science 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 Michigan Mathematics and Science Academy's compliance.

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

In our opinion, Michigan Mathematics and Science 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, 2018.

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

Management of Michigan Mathematics and Science 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 Michigan Mathematics and Science 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 Michigan Mathematics and Science 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 a 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.

*Muller & Co., LLP*

Orland Park, Illinois  
November 6, 2018

**MICHIGAN MATHEMATICS AND SCIENCE ACADEMY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2018**

<u>Federal Grantor/ Pass-through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Passed Through to Subrecipients</u>	<u>Total Federal Expenditures</u>
Child Nutrition Cluster:				
Department of Agriculture Programs:				
Michigan Department of Education:				
National School Lunch (M)	10.555	17-1960	\$ -	\$ 29,620
National School Lunch (M)	10.555	18-1960	-	163,842
School Breakfast (M)	10.553	17-1970	-	5,501
School Breakfast (M)	10.553	17-1970	-	24,854
Commodities (noncash)	10.555	2018	-	<u>21,451</u>
Total Child Nutrition Cluster			<u>-</u>	<u>245,268</u>
Department of Education:				
Michigan Department of Education:				
Title I - Low Income	84.010	18-1530	-	467,927
Title II - Teacher Quality (M)	84.367	18-0520	-	60,358
Title IVA - Student Enrichment	84.424	18-0750	-	<u>9,023</u>
Total Michigan Department of Education			-	537,308
Macomb Intermediate School District:				
IDEA Flow-through (M)	84.027	2018	-	<u>47,164</u>
Total Department of Education			<u>-</u>	<u>584,472</u>
Total expenditures of federal awards			<u>\$ -</u>	<u>\$ 829,740</u>

(M) - Major program

See notes to schedule of expenditures of federal awards.

**MICHIGAN MATHEMATICS AND SCIENCE ACADEMY  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2018**

**NOTE 1. BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Michigan Mathematics and Science Academy (Academy) and is presented on the modified accrual basis of accounting. 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). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**NOTE 2. INDIRECT FACILITIES AND ADMINISTRATION COSTS**

The Academy has elected not to use the 10-percent de minimis cost rate.

**NOTE 3. SUBRECIPIENTS**

Of the federal expenditures presented in the schedule, the Academy provided federal awards to subrecipients as follows:

Program Title/Subrecipient Name	Federal CFDA Number	Amount Provided to Subrecipients
NONE		\$ -

**NOTE 4. NONCASH ASSISTANCE**

Noncash assistance expended by the Academy amounted to \$21,451.

**NOTE 5. OTHER INFORMATION**

Insurance coverage in effect paid with federal funds during the fiscal year amounted to zero.

Loans/loan guarantees outstanding at June 30, 2018 amounted to zero.

The Academy had no federal grants requiring matching expenditures during the year ended June 30, 2018.

**MICHIGAN MATHEMATICS AND SCIENCE ACADEMY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2018**

**Section I - Summary of Auditor's Results**

***Financial Statements***

Type of auditor's report issued: UNMODIFIED

Internal control over financial reporting:

- Material weaknesses identified?  Yes  None reported
- Significant deficiencies identified that are not considered to be material weaknesses?  Yes  None reported
- Noncompliance noted?  Yes  No

***Federal Awards***

Internal control over major programs:

- Material weaknesses identified?  Yes  None reported
- Significant deficiencies identified that are not considered to be material weaknesses?  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 §200.516 (a)?  Yes  No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027	IDEA Flow-through
10.555	National School Lunch
10.553	School Breakfast
84.424	Title IVA - Student Enrichment

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee?  Yes  No

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