

W-A-Y Michigan
Audited Financial Statements
June 30, 2015

Prepared by Taylor & Morgan P.C,

2302 Stonebridge Drive, Bldg. D | Flint, MI 48532 | 810.230.8200
3150 Livernois Road, Suite 150 | Troy, MI 48083 | 248.688.9399
15720 Brixham Hill Ave., Suite 300 | Charlotte, NC 28277 | 704.926.7570

www.tmcpa.com

W-A-Y MICHIGAN
TABLE OF CONTENTS

	<u>Page</u>
<u>Financial Section</u>	
Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-10
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	11
Statement of Activities	12
Fund Financial Statements:	
Balance Sheet-Governmental Funds	13
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities	14
Statement of Revenues, Expenditures and Changes in Fund Balances-Governmental Funds	15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Notes to the Basic Financial Statements	17-22
Required Supplemental Information:	
Budgetary Comparison Schedule - General Fund	23
Other Information	
Independent Auditors' 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	24-25

INDEPENDENT AUDITORS' REPORT

September 20, 2015

Board of Directors
W-A-Y Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of W-A-Y Michigan as of and for the year ended June 30, 2015, 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 of material misstatement.

An audit involves performing procedures to obtain 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 estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

FLINT, MI OFFICE

G-2302 STONEBRIDGE DR., BUILDING D,
FLINT, MICHIGAN 48532
OFFICE # (810) 230-8200 FAX # (810) 230-8203

CHARLOTTE, NC OFFICE

15720 BRIXHAM HILL AVE, SUITE 300
CHARLOTTE, NC 28277
OFFICE # (704) 926-7570 FAX # (810) 230-8203

TROY, MI OFFICE

3150 LIVERNOIS RD., SUITE 150
TROY, MI 48532
OFFICE # (248) 688-9399 FAX # (248) 688-9397

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 W-A-Y Michigan as of June 30, 2015 and the respective changes in financial position for the year then ended in conformity 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 on pages 3-10 and 23 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

The introductory section titled management's discussion and analysis has 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 it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2015 on our consideration of W-A-Y Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is 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 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 W-A-Y Michigan's internal control over financial reporting and compliance.

Sincerely,

Taylor & Morgan, P.C.

Taylor & Morgan, P.C.
Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS
(MD & A)

WAY Michigan

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2015

WAY Michigan is a grade 7-12 statewide cyber Public School Academy located in Detroit, Michigan. This Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Academy administration's discussion and analysis of the financial results for the fiscal year ended June 30, 2015.

OVERVIEW OF THE FINANCIAL STATEMENTS

U.S. generally accepted accounting principles (GAAP) according to GASB 34 requires the reporting of two types of financial statements: Academy-wide Financial Statements and Fund Financial Statements.

Fund Financial Statements:

For the most part, the fund financial statements are comparable to general purpose financial statements. The primary difference is that the Account Groups: General Fixed Assets and General Long-Term Debt are not reported. The fund level statements are reported on a modified accrual basis. Only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual." In the State of Michigan, the Academy's major instruction and instructional support activities are reported in the General Fund. Additional governmental activities are reported in their relevant Special Revenue Funds.

In the fund financial statements, capital assets purchased are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. Payments of principal and interest on long-term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

Academy-wide Financial Statements:

The Academy-wide financial statements are maintained using the "full accrual" basis. They report all of the Academy's assets and liabilities, both short and long term, regardless if they are "currently available" or not. Capital assets and long-term obligations of the Academy are reported in the Statement of Net Position of the Academy-wide financial statements. The Academy has no capital assets or long-term obligations as of the end of the fiscal year.

WAY Michigan

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2015

FINANCIAL ANALYSIS OF THE ACADEMY AS A WHOLE

Summary of Net Position:

The following summarizes the net position for the fiscal year ended June 30, 2015:

		Governmental Activities
Assets		
	Cash and Cash Equivalents	\$ 128,842
	Prepays	8,825
	Due from Other Governmental Units	93,864
	Total Assets	231,531
Liabilities		
	Accounts Payable	44,208
	Due to Program	165,253
	Advances from Grantors	4,800
	Total Liabilities	214,261
Net Position		
	Unrestricted	17,270
	Total Net Position	\$ 17,270

WAY Michigan

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2015

The change in net position is summarized as follows:

2014-2015 was WAY Michigan's first year of operation. WAY Michigan received both Charter and Implementation Grants to assist with startup costs. Enrollment increased from 49 students in the fall to 65 students in the spring.

		Program Revenues		Net (Expense)
	Expenses	Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
Functions/Programs				
Governmental Activities				
Basic Programs	\$ 408,760	\$ -	\$ 218,833	\$ (189,927)
Added Needs	1,976	-	420	(1,556)
Support Services	220,382	-	13,968	(206,414)
Total Governmental Activities	<u>\$ 631,118</u>	<u>\$ -</u>	<u>\$ 233,221</u>	(397,897)
General Purpose Revenues				
State School Aid - Unrestricted				415,167
Miscellaneous				<u>-</u>
Total General Revenue				<u>415,167</u>
Change in Net Position				17,270
Net Position - July 1				<u>-</u>
Net Position - June 30				<u>\$ 17,270</u>

FINANCIAL ANALYSIS OF THE ACADEMY'S FUNDS

Factors affecting the change in net position during the year are discussed below: 2014-2015 was the initial year of operation for WAY Michigan. Initial revenues and expenditures both decreased due to a reduction in anticipated students at the newly opened site. However, enrollment numbers increased in the spring. State issued At Risk funds were not received until late in the spring. Federal funds were not made available until late in the spring, and therefore, could not be utilized in the current fiscal year.

WAY Michigan

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2015

A. Results of Operations: For the fiscal year ended June 30, 2015, the results of the Academy's operations were:

	General Fund	Total Governmental Funds
Revenues		
State Sources	\$ 434,420	\$ 434,420
Federal Sources	213,968	213,968
Total Revenues	648,388	648,388
Expenditures		
Instruction		
Basic Programs	408,760	408,760
Added Needs	1,976	1,976
Total Instruction	410,736	410,736
Support Services		
Pupil Services	13,968	13,968
Instructional Staff	23,295	23,295
General Administration	42,658	42,658
School Administration	-	-
Business Services	46,450	46,450
Operation & Maintenance	28,865	28,865
Transportation	1,921	1,921
Personnel & Information	63,225	63,225
Total Support Services	220,382	220,382
Total Expenditures	631,118	631,118
Excess/(Deficiency of Revenues over/(under) Expenditures	17,270	17,270
Net Changes in Fund Balance	17,270	17,270
Fund Balance - July 1	-	-
Fund Balance - June 30	\$ 17,270	\$ 17,270

WAY Michigan

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2015

B. Unrestricted State Aid

State aid revenue is determined by the following variables:

- ☐ Per Student, Foundation Allowance: Annually, the State of Michigan sets the per student foundation allowance. The WAY Michigan foundation allowance was \$7,218 per pupil.
- ☐ Student Enrollment: The Academy's student enrollment for the fall count of 2014-2015 was 49 students. Enrollment increased 32.7% to 65 for the supplemental count in February. To calculate total state aid to be provided by the foundation allowance, a blend of 50% of the fall count and 50% of the February count is multiplied by the Academy's foundation allowance.

Subsequent to year-end June 30, 2015, preliminary student enrollments for 2014 - 2015 indicate that the 2015 fall student enrollment should show a moderate increase. The expected increase in enrollment is due to targeted marketing in various areas around the state.

WAY Michigan

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2015

C. General Fund Budgetary Highlights

General Fund Operations

The Academy's revenues from General Fund operations exceeded expenditures by \$17,270 for the fiscal year ended June 30, 2015.

Final Budget vs. Actual

	Budget			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Local Sources	\$ 200,250	\$ -	\$ -	\$ -
State Sources	3,684,803	439,122	434,420	(4,702)
Federal Sources	-	241,354	213,968	(27,386)
Total Revenues	3,885,053	680,476	648,388	(32,088)
Expenditures				
Education				
Instruction				
Basic Programs	2,458,310	437,336	408,760	28,576
Added Needs	43,175	2,200	1,976	224
Supporting Services				
Pupil Services	4,000	13,968	13,968	-
Instructional Staff	275,960	32,654	23,295	9,359
General Administration	209,573	50,379	42,658	7,721
School Administration	-	-	-	-
Business Services	120,466	45,150	46,450	(1,300)
Operation & Maintenance	75,250	29,657	28,865	792
Transportation	3,000	2,000	1,921	79
Personnel & Information	481,524	64,403	63,225	1,178
Total Expenditures	3,671,258	677,747	631,118	46,629
Excess of Revenues Over/(Under) Expenditures	213,795	2,729	17,270	14,541
Fund Balance - July 1	-	-	-	-
Fund Balance - June 30	\$ 213,795	\$ 2,729	\$ 17,270	\$ 14,541

WAY Michigan

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2015

Original vs. Final Budget

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1 of the start of the fiscal year.

As a matter of practice, WAY Michigan amends its budget periodically as needed during the school year. For the fiscal year 2014-2015, the budget was amended in June 2015. The June 17, 2015 budget amendment was the final budget for the fiscal year. The WAY Michigan Board does not budget for expenditures covered by grants or for the grant revenue until an award is received. The General Fund does budget for capital outlays in the original budget.

Change from Original to Final General Fund Budget

Revenues:

Total Revenues Original Budget	\$ 3,885,053
Total Revenues Final Budget	<u>680,476</u>
Decrease in Budgeted Revenues	<u>\$ 3,204,577</u>

The Academy's final general fund revenues were less than the final budget by \$32,088 a variance of 5.60%. This variance was primarily a result of unspent federal grant allocations awarded to the WAY Academy-Flint. Those allocations are available through September 30 and it is anticipated that a majority of these unspent allocations at June 30 will be used before the end of the grant period.

The following are the significant changes in revenues from the original budget:

- ☐ Decrease in student enrollment over initial projections.
- ☐ Adjustment to actual grant allocations as estimates were used in the original budget.

Expenditures:

The Academy's budget for expenditures changed as follows during the year:

Total Expenditures Original Budget	\$ 3,671,258
Total Expenditures Final Budget	<u>677,747</u>
Decrease in Budgeted Expenditures	<u>\$ 2,993,511</u>

The Academy's actual expenditures were less than final budget by \$ 46,629 a variance of 6.88%. These cost savings were primarily a result of under spending federal grant allocations described above under the explanation of the revenue variance. The approval of carry over funds from the prior year and current year amendments of federal funds were not made available to the Academy until late in the spring of 2015.

WAY Michigan

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2015

The following are the significant changes in expenditures from the original budget:

- ☐ Adjustment to actual state and federal grant allocations expenditures as estimates were used in the original budget. The Academy broadened grant services due to an increase in grant allocations.
- ☐ Adjustment was made to update budgeted line-item for salaries and benefits due to actual staffing costs.
- ☐ Management and authorizer fees adjusted due to state and federal grant allocation changes.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Preliminary Budget for the 2014-15 fiscal year was adopted by the Board of Education on June 17, 2015. Few definite factors were known as the budget was being drafted, and others were unknown and needed to be projected with management's best estimates based on perceived interest from the community. Some key factors and estimates used in the 2015-16 budget preparation process include:

- ☐ Projected 2015-2016 increase of \$173 will bring the actual allowance to \$7,391 per pupil.
- ☐ Enrollment projections of 120 students in grades 7-12:
- ☐ Increases in staffing to accommodate increased student enrollment.
- ☐ Slight increases in benefit costs due to both increases in premiums and the increase in the number of staff eligible to receive benefits.

Since the Academy's revenue is heavily dependent on State funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to School Districts and Public School Academies. The State periodically holds revenue-estimating conferences to estimate what the State's available resources will be throughout the remainder of its fiscal year.

CONTACTING THE ACADEMY'S MANAGEMENT

This financial report is designed to provide our citizens and taxpayers with a general overview of the Academy's finances. If you have questions about this report or need additional information, please contact Kelli Glenn, Director of Finance, at 369 Main Street, Belleville, Michigan, 48111 (313-444-9292).

BASIC FINANCIAL STATEMENTS

W-A-Y MICHIGAN
STATEMENT OF NET POSITION
JUNE 30, 2015

	<u>Governmental Activities</u>
Assets	
Cash and Cash Equivalents	\$ 128,842
Prepays	8,825
Due from Other Governmental Units	<u>93,864</u>
Total Assets	231,531
Liabilities	
Accounts Payable	44,208
Due to Program	165,253
Advances from Grantors	<u>4,800</u>
Total Liabilities	<u>214,261</u>
Net Position	
Unrestricted	<u>17,270</u>
Total Net Position	<u><u>\$ 17,270</u></u>

See accompanying notes to basic financial statements

W-A-Y MICHIGAN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

		Program Revenues		Net (Expense)
	Expenses	Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
Functions/Programs				
Governmental Activities				
Basic Programs	\$ 408,760	\$ -	\$ 218,833	\$ (189,927)
Added Needs	1,976	-	420	(1,556)
Support Services	<u>220,382</u>	<u>-</u>	<u>13,968</u>	<u>(206,414)</u>
Total Governmental Activities	<u>\$ 631,118</u>	<u>\$ -</u>	<u>\$ 233,221</u>	<u>(397,897)</u>
General Purpose Revenues				
State School Aid - Unrestricted				415,167
Miscellaneous				<u>-</u>
Total General Revenue				<u>415,167</u>
Change in Net Position				17,270
Net Position - July 1				<u>-</u>
Net Position - June 30				<u>\$ 17,270</u>

See accompanying notes to basic financial statements

W-A-Y MICHIGAN
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

	General Fund	Total Governmental Funds
	<u> </u>	<u> </u>
Assets		
Cash and Cash Equivalents	\$ 128,842	\$ 128,842
Prepays	8,825	8,825
Due from Other Governmental Units	<u>93,864</u>	<u>93,864</u>
Total Assets	<u>\$ 231,531</u>	<u>\$ 231,531</u>
Liabilities and Fund Balance		
Current Liabilities		
Accounts Payable	\$ 44,208	\$ 44,208
Due to program	165,253	165,253
Advances from Grantors	<u>4,800</u>	<u>4,800</u>
Total Current Liabilities	214,261	214,261
Fund Balance		
Assigned	8,445	8,445
Non-Spendable	8,825	8,825
Unassigned	<u>-</u>	<u>-</u>
Total Fund Balance	<u>17,270</u>	<u>17,270</u>
Total Liabilities and Fund Balance	<u>\$ 231,531</u>	<u>\$ 231,531</u>

See accompanying notes to basic financial statements

W-A-Y MICHIGAN
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2015

Total Governmental Fund Balances	\$ <u>17,270</u>
----------------------------------	------------------

Total Net Position - Governmental Activities	\$ <u><u>17,270</u></u>
--	-------------------------

See accompanying notes to basic financial statements

W-A-Y MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	General Fund	Total Governmental Funds
Revenues		
State Sources	\$ 434,420	\$ 434,420
Federal Sources	<u>213,968</u>	<u>213,968</u>
Total Revenues	648,388	648,388
Expenditures		
Instruction		
Basic Programs	408,760	408,760
Added Needs	<u>1,976</u>	<u>1,976</u>
Total Instruction	410,736	410,736
Support Services		
Pupil Services	13,968	13,968
Instructional Staff	23,295	23,295
General Administration	42,658	42,658
School Administration	-	-
Business Services	46,450	46,450
Operation & Maintenance	28,865	28,865
Transportation	1,921	1,921
Personnel & Information	<u>63,225</u>	<u>63,225</u>
Total Support Services	220,382	220,382
Total Expenditures	<u>631,118</u>	<u>631,118</u>
Excess/(Deficiency of Revenues over/(under) Expenditures	17,270	17,270
Net Changes in Fund Balance	17,270	17,270
Fund Balance - July 1	<u>-</u>	<u>-</u>
Fund Balance - June 30	<u>\$ 17,270</u>	<u>\$ 17,270</u>

See accompanying notes to basic financial statements

W-A-Y MICHIGAN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

Total Net Change in Fund Balances - Governmental Funds	\$ <u>17,270</u>
--	------------------

Change in Net Position of Governmental Activities	\$ <u><u>17,270</u></u>
---	-------------------------

See accompanying notes to basic financial statements

NOTES TO FINANCIAL STATEMENTS

W-A-Y MICHIGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 1 - Summary of Significant Accounting Policies

Reporting Entity

The accompanying basic financial statements have been prepared in accordance with criteria established by the GASB for determining the various governmental organizations to be included in the reporting entity. These criteria include oversight responsibility, scope of public service, and special financing arrangements. Based on application of the criteria, the entity does not contain component units.

The Academy receives funding from local, state, and federal government sources and must comply with the accompanying requirements of these funding source entities. However, the Academy is not included in any other governmental "reporting entity" body that has separate legal standing and is fiscally independent of the governmental entities. As such, the Board of Trustees has decision-making authority, the authority to determine its budget, the power to designate management, the ability to significantly influence operations, and primary accountability for fiscal matters.

Basic Financial Statements – Government-wide Statements

The Academy's basic financial statements include both government-wide (reporting the Academy as a whole) and fund financial statements (reporting the Academy's major funds). The government-wide financial statements categorize primary activities as either governmental or business type. All of the Academy's activities are classified as governmental activities. Fiduciary funds are not included in the government-wide financial statements.

In the government-wide Statement of Net Position, the governmental activities column is presented on a consolidated basis and is reported on a full-accrual economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Academy's net position is reported in three parts: invested in capital assets net of related debt; restricted net position; and unrestricted net position. The Academy first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the Academy's functions. General government revenues (certain intergovernmental revenues, fines, permits and charges, etc.) also support the functions. The Statement of Activities reduces gross expenses by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary grants. The net costs by function are normally covered by general revenue (state and federal sources, interest income, etc.).

The Academy does not allocate indirect costs. Inter-fund transactions have been eliminated in the government-wide financial statements.

Basic Financial Statements - Fund Financial Statements

The accounts of the Academy are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon 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 two generic fund types in one broad fund category as follows:

Governmental Funds

Governmental funds are those funds 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 governmental funds.

W-A-Y MICHIGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 1 - Summary of Significant Accounting Policies (continued)

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.

Basis of Accounting/Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Accrual

Governmental activity in the government-wide financial statements is presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt is recognized when due.

Those revenues susceptible to accrual are state aid, interest revenue, grants and charges for services. Other revenue is recorded when received.

Cash and Investments – Cash and cash equivalents include amounts in demand deposits, sweep accounts, and certificate of deposits with original maturities less than 180 days. The Academy reports its investments in accordance with Governmental Accounting Standards Board (GASB) *Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and *No. 40, Deposits and Investment Risk Disclosures*. Under these standards, certain investments are valued at 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. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

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 (FDIC), Federal Savings and Loan Insurance Corporation (FSLIC), or National Credit Union Administration (NCUA), respectively; and in commercial paper rated at the time of purchase within the three highest classifications established by no less than two standard rating services and which matures not more than 270 days after the date of purchase.

W-A-Y MICHIGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 1 - Summary of Significant Accounting Policies (continued)

Cash and Investments (continued)

The Academy is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, mutual funds composed of investments outlined above, and investment pools, as authorized by the surplus funds investment pool act, Act. No. 367 of the Public Acts of 1982, being sections 129.11 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by an academy.

Inventories - Items purchased for future use are recorded as inventory and charged to expenditure accounts when requisitioned for use.

Capital Assets - The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets. The Academy's policy is to capitalize assets with a cost that equals or exceeds \$5,000.

Depreciation on all assets is computed on the straight-line basis over the estimated useful lives as follows:

Buildings and additions	20 – 50 years
Buses and other vehicles	5 – 10 years
Furniture and equipment	5 – 20 years

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Economic Dependency – The Academy receives approximately 84% of its operating revenue from the State of Michigan.

Note 2 - Budget and Budgetary Accounting

The State of Michigan adopted a Uniform Budgeting and Accounting Act (Act) applicable to all local governmental entities in the state. The law requires appropriation acts to be adopted for General, Special Revenue, and Debt Retirement Funds and an informational study of Capital Project Funds of academies prior to the expenditure of monies in a fiscal year.

The Board of Education adopts appropriations utilizing the modified accrual basis of accounting for all governmental funds. The appropriation level adopted by the Board is the level of control authorized by the Act. The Act requires expenditures to be budgeted on a functional basis. An Academy is not considered to be in violation of the Act if reasonable procedures are in use by the Academy to detect violations.

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

W-A-Y MICHIGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 2 - Budget and Budgetary Accounting (continued)

1. The Academy's CEO submits to the Board of Trustees a proposed budget by July 1 of each year. The budget includes proposed expenditures and the means of financing them.
2. The CEO is authorized to transfer budgeted amounts between functions within any fund with the approval of the Board of Trustees; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Trustees.
3. The budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles.
4. Budgeted amounts are as originally adopted, or as amended by the Board of Trustees throughout the year. Individual amendments were not material in relation to the original appropriations, which were amended.
5. Appropriations lapse at year-end and, therefore, cancel all encumbrances. These appropriations are reestablished at the beginning of the following year.

A schedule comparing actual results of operations to the budgeted amounts (at the level of control adopted by the Board of Trustees) for the General Fund is presented as required supplementary information.

Budgetary information

Public Act 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount budgeted. In the body of the financial statements, the Academy's actual and budgeted expenditures for the period have been shown as adopted by function on a modified accrual basis.

Excess of expenditures over appropriations in budgeted funds

During the year, the Academy incurred expenditures in the General Fund which were in excess of the amounts appropriated, as follows:

<u>Budget Item</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Business Services	\$ 45,150	\$ 46,450	\$ (1,300)

The final amended budget anticipated revenues exceeding expenditures by \$2,729. Actual revenues exceeded expenditures by \$17,270 a positive variance of \$14,541.

Note 3 - Cash and Investments

Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The Academy's policy provides that to the extent practicable, investments are matched with anticipated cash flows. Investments are diversified to minimize the risk of loss resulting from over-concentration of assets in a specific maturity period, a single issuer, or an individual class of securities and are invested primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools.

W-A-Y MICHIGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 3 - Cash and Investments (continued)

Concentration of Credit Risk

This is the risk of loss attributed to the magnitude of the Academy's investment in a single issuer. Cumulatively, portfolios of the Academy may not be invested in any given financial institution in excess of 5% of such institution's total assets. Additionally, no more than 5% of the total Academy portfolio may be placed with any single financial institution with the exception of repurchase agreements. U.S. government securities and 2a7-like investment pools are excluded from these restrictions.

Credit Risk

This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits this exposure by mandating that the Academy's investments in commercial paper and corporate bonds be limited to those with a prime rating or better issued by nationally recognized statistical rating organizations (NRSROs).

Custodial Credit Risk for Deposits

This is the risk that in the event of a bank failure, the Academy's deposits may not be returned or the Academy will not be able to recover collateral securities, if any, in the possession of an outside party. At June 30, 2015, the Academy had no deposit balances uninsured and uncollateralized.

Custodial Credit Risk for Investments

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. This risk is minimized by the Academy through limiting investments to those of a prime or better rating and pre-qualifying the financial institutions, brokers/dealers, intermediaries, and advisors.

Foreign Currency Risk

This is the risk that changes in exchange rates will adversely affect the fair value of an investment. The Academy is not authorized to invest in investments that would be subject to this type of risk.

Note 4 - Capital Assets

The Academy had no capital assets as of June 30, 2015.

Note 5 – Defined Benefit Pension Plan & Retirement Plan

The Academy did not participate in a defined benefit pension plan or defined contribution plan for its employees. Therefore, no pension plan disclosure is deemed necessary.

Note 6 - Fund Balance

Non-spendable, Restricted, Committed, Assigned and Unassigned

The Board of Trustees adopts a budget each year that includes the appropriation of fund balance. Non-spendable fund balance represents assets that are not available in spendable form and are not expected to be converted to cash.

W-A-Y MICHIGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 6 - Fund Balance (continued)

Non-spendable:

Prepaid expenses	\$	<u>8,825</u>
Total Non-spendable	\$	<u>8,825</u>

Restricted fund balances are reported separately to show legal constraints from debt covenants and legislation that limits the Academy's ability to use that fund balance for day-to-day operations. The Academy had no amounts restricted at June 30, 2015. Committed fund balance represents constrained amounts imposed by board resolution. The Academy had no amounts committed at June 30, 2015.

Assigned fund balance represents amounts intended to be used for specific purposes expressed by the Board of Trustees, Finance Committee, or the official authorized by the governing body. Residual amounts in governmental funds other than the General Fund are also assigned.

Assigned:

Appropriation of existing fund balance for Management Expenses	\$	<u>8,445</u>
Total Assigned	\$	<u>8,445</u>

Unassigned fund balance is reported only in the General Fund and represents the remaining fund balance after non-spendable, restrictions, and assignments have been made.

The Academy applies restricted resources first for applicable expenditures. Assigned fund equity is applied when expenditures are incurred for the assigned purpose, followed by unassigned fund equity for budgeted expenditures.

Note 7 - Contingencies and Commitments

The Academy has received federal and state grants for specific purposes. These grants are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowance under terms of the grants, management believes that any required reimbursements would not be material.

Note 8 - Risk Management

The Academy is exposed to various risks of loss related to property loss, torts, errors and omissions. The Academy purchases commercial insurance coverage to cover potential claims, and management believes this coverage is sufficient to protect the Academy from any significant adverse financial impact.

Note 9 - Subsequent Events

The Academy entered into a State Aid Bridge Loan in the amount of \$141,000 with an interest rate of 3.0% in August 2015. The payments for this loan will be remitted through monthly state aid payments. The loan will be paid in full in August 2016.

Subsequent events have been reviewed through September 20, 2015, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTAL INFORMATION

W-A-Y MICHIGAN
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015

	Budget			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Local Sources	\$ 200,250	\$ -	\$ -	\$ -
State Sources	3,684,803	439,122	434,420	(4,702)
Federal Sources	-	241,354	213,968	(27,386)
Total Revenues	3,885,053	680,476	648,388	(32,088)
Expenditures				
Education				
Instruction				
Basic Programs	2,458,310	437,336	408,760	28,576
Added Needs	43,175	2,200	1,976	224
Supporting Services				
Pupil Services	4,000	13,968	13,968	-
Instructional Staff	275,960	32,654	23,295	9,359
General Administration	209,573	50,379	42,658	7,721
School Administration	-	-	-	-
Business Services	120,466	45,150	46,450	(1,300)
Operation & Maintenance	75,250	29,657	28,865	792
Transportation	3,000	2,000	1,921	79
Personnel & Information	481,524	64,403	63,225	1,178
Total Expenditures	3,671,258	677,747	631,118	46,629
Excess of Revenues Over/(Under) Expenditures	213,795	2,729	17,270	14,541
Fund Balance - July 1	-	-	-	-
Fund Balance - June 30	\$ 213,795	\$ 2,729	\$ 17,270	\$ 14,541

OTHER INFORMATION

INDEPENDENT AUDITORS' 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

September 20, 2015

Board of Directors
W-A-Y Michigan

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 W-A-Y Michigan as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the W-A-Y Michigan's basic financial statements, and have issued our report thereon dated September 20, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the W-A-Y Michigan'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 W-A-Y Michigan's internal control. Accordingly, we do not express an opinion on the effectiveness of W-A-Y Michigan'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 over financial reporting 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.

FLINT, MI OFFICE

G-2302 STONEBRIDGE DR., BUILDING D,
FLINT, MICHIGAN 48532
OFFICE # (810) 230-8200 FAX # (810) 230-8203

CHARLOTTE, NC OFFICE

15720 BRIXHAM HILL AVE., SUITE 300
CHARLOTTE, NC 28277
OFFICE # (704) 926-7570 FAX # (810) 230-8203

TROY, MI OFFICE

3150 LIVERNOIS RD., SUITE 150
TROY, MI 48532
OFFICE # (248) 688-9399 FAX # (248) 688-9397

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the W-A-Y Michigan's financial statements are free of 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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Taylor & Morgan, P.C.

TAYLOR & MORGAN, P.C.
Certified Public Accountants