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# Youth Advancement Academy

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**Financial Report  
with Supplemental Information  
June 30, 2021**

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## **Independent Auditor's Report**

To the Board of Directors  
Youth Advancement Academy

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

We have audited the accompanying financial statements of the governmental activities, major fund, and nonmajor fund of Youth Advancement Academy (the "Academy") as of and for the year ended June 30, 2021 and the related notes to the financial statements, which collectively comprise Youth Advancement 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, major fund, and nonmajor fund of Youth Advancement Academy as of June 30, 2021 and the respective changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Directors  
Youth Advancement Academy

**Required Supplemental Information**

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2021 on our consideration of Youth Advancement Academy'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 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 Youth Advancement 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 Youth Advancement Academy's internal control over financial reporting and compliance.

*Plante & Moran, PLLC*

October 5, 2021

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*

**Independent Auditor's Report**

To Management and the Board of Directors  
Youth Advancement Academy

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the major fund, and the nonmajor fund of Youth Advancement Academy (the "Academy") as of June 30, 2021 and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements, and have issued our report thereon dated October 5, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 Academy's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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*.

To Management and the Board of Directors  
Youth Advancement Academy

**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 Academy'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 Academy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Plante & Moran, PLLC*

October 5, 2021

This section of Youth Advancement Academy's (the "Academy") annual financial report presents our discussion and analysis of the Academy's financial performance during the year ended June 30, 2021. Please read it in conjunction with the Academy's financial statements, which immediately follow this section.

### ***Using This Annual Report***

This annual report consists of a series of financial statements and notes to those financial statements. These statements are organized so the reader can understand Youth Advancement Academy financially as a whole. The academy-wide financial statements provide information about the activities of the whole Academy, presenting both an aggregate view of the Academy's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short term, as well as what remains for future spending. The fund financial statements look at the Academy's operations in more detail than the academy-wide financial statements by providing information about the Academy's two funds, the General Fund and the Student Activities Fund. This report is composed of the following elements:

#### **Management's Discussion and Analysis (MD&A) (Required Supplemental Information)**

##### **Basic Financial Statements**

Academy-wide Financial Statements

Fund Financial Statements

Notes to Financial Statements

##### **Required Supplemental Information**

Budgetary Information for Major Fund

### ***Reporting the Academy as a Whole - Government-wide Financial Statements***

One of the most important questions asked about the Academy is, "As a whole, what is the Academy's financial condition as a result of the year's activities?" The statement of net position and the statement of activities, which appear first in the Academy's financial statements, report information on the Academy as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources, using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Academy's net position - the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources, as reported in the statement of net position - as one way to measure the Academy's financial health or financial position. Over time, increases or decreases in the Academy's net position - as reported in the statement of activities - are indicators of whether its financial health is improving or deteriorating. The relationship between revenue and expenses is the Academy's operating results. However, the Academy's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the Academy.

The statement of net position and the statement of activities report the governmental activities for the Academy, which encompass all of the Academy's services, including instruction and support services. Unrestricted state aid (foundation allowance revenue) and state and federal grants finance most of these activities.

## Youth Advancement Academy

### Management's Discussion and Analysis (Continued)

#### Reporting the Academy's Fund Financial Statements

The governmental fund of the Academy uses the following accounting approach:

#### Governmental Funds

Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the Academy and the services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Academy's programs.

#### **The Academy as a Whole**

Recall that the statement of net position provides the perspective of the Academy as a whole. The following table provides a summary of the Academy's net position as of June 30, 2021 and 2020:

|  | Governmental Activities |                 |
|--|-------------------------|-----------------|
|  | 2021                    | 2020            |
|  | (in thousands)          |                 |
| <b>Assets</b> - Current and other assets | \$ 343.5                | \$ 216.0        |
| <b>Liabilities</b> - Current liabilities | 10.8                    | 11.4            |
| <b>Net Position</b> - Unrestricted       | <u>\$ 332.7</u>         | <u>\$ 204.6</u> |

The above analysis focuses on net position. The change in net position of the Academy's governmental activities is discussed below. The Academy's net position was \$332,724 at June 30, 2021.

The \$332,724 in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. The unrestricted net position balance enables the Academy to meet working capital and cash flow requirements, as well as to provide for future uncertainties. The operating results of the General Fund will have a significant impact on the change in unrestricted net position from year to year.

The results of this year's operations for the Academy as a whole are reported in the condensed statement of activities below, which shows the changes in net position for the years ended June 30, 2021 and 2020:

|  | Governmental Activities |                 |
|--|-------------------------|-----------------|
|  | 2021                    | 2020            |
|  | (in thousands)          |                 |
| <b>Revenue</b>                                       |                         |                 |
| Program revenue - Operating grants                   | \$ 148.7                | \$ 135.8        |
| General revenue:                                     |                         |                 |
| State aid  | 369.2                   | 319.4           |
| Other  | 1.7                     | 1.8             |
| Total revenue  | <u>519.6</u>            | <u>457.0</u>    |
| <b>Functional/Program Expenses</b>                   |                         |                 |
| Instruction  | 232.9                   | 279.1           |
| Support services                                     | 158.6                   | 66.1            |
| Total functional/program expenses                    | <u>391.5</u>            | <u>345.2</u>    |
| <b>Change in Net Position</b>                        | 128.1                   | 111.8           |
| <b>Net Position</b> - Beginning of year, as restated | <u>204.6</u>            | <u>92.8</u>     |
| <b>Net Position</b> - End of year                    | <u>\$ 332.7</u>         | <u>\$ 204.6</u> |



## Youth Advancement Academy

### Management's Discussion and Analysis (Continued)

As reported in the statement of activities, the cost of all of our governmental activities this year was \$391,468. Certain activities were partially funded by other governments and organizations that subsidized certain programs with grants and contributions (\$148,665). We paid for the remaining public benefit portion of our governmental activities with \$370,939 in state foundation allowance and other revenue (i.e., interest and general entitlements).

The Academy experienced an increase in net position of \$128,136. The key reasons for the change in net position were an increase in enrollment of approximately six pupil FTEs and an increase in federal and state COVID-19 funding.

As discussed above, the net cost shows the financial burden that was placed on the State and the Academy's other revenue sources by each of these functions. Since unrestricted state aid constitutes the vast majority of academy operating revenue sources, the board of directors and administration must annually evaluate the needs of the Academy and balance those needs with state-prescribed available unrestricted resources.

#### ***The Academy's Funds***

As we noted earlier, the Academy uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the Academy is being accountable for the resources taxpayers and others provide to it and may provide more insight into the Academy's overall financial health.

The General Fund balance is available to fund costs related to allowable school operating purposes.

The Student Activities Fund is available to fund costs related to the Agency's student groups.

#### **General Fund Budgetary Highlights**

Over the course of the year, the Academy revises its budget as it attempts to deal with unexpected changes in revenue and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was adopted in June 2021. A schedule showing the Academy's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements.

Budgeted revenue was increased by \$152,062 from the original budget due to changes in state aid and pupil count.

Budgeted expenditures increased by \$63,682 from the original budget due to changes in federal grant budgets.

#### ***Economic Factors and Next Year's Budgets and Rates***

Our board officials and administration consider many factors when setting the Academy's 2021-2022 fiscal year budget. One of the most important factors affecting the budget is our student count. The state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The 2021-2022 budget was adopted in June 2021 based on an estimate of students who will enroll in October 2021. Approximately 33 percent of total General Fund revenue is from the foundation allowance. Under state law, the Academy cannot access additional property tax revenue for general operations. As a result, academy funding is heavily dependent on the State's ability to fund local school operations. The blended count for 2021-2022 will be calculated based on 90 percent of the October 2021 count plus 10 percent of the February 2021 count. The state per pupil funding amount for 2021-2022 was not known at the time of the 2021-2022 budget adoption in June 2021. The Academy's administration and board of directors will revise the 2021-2022 budget as necessary during the fiscal year based on new revenue and expenditure estimates.

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 revenue to fund its appropriation to the Academy. The State periodically holds a Revenue Estimating Conference to estimate revenue. If the state estimates funds are not sufficient to fund the appropriation, the Legislature must revise the appropriation or proration of state aid will occur.

## Youth Advancement Academy

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### Management's Discussion and Analysis (Continued)

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#### ***Impacts of the Coronavirus Pandemic***

The global coronavirus pandemic has created change and uncertainty for all Michigan public school districts. Since the duration and impact of the pandemic are not fully known, the financial impact on Youth Advancement Academy is also uncertain at this time. When developing the 2021-2022 budget, administration and the board of directors, using the best information available at the time, assumed that the pandemic would not negatively impact state school aid revenue.

# Youth Advancement Academy

## Statement of Net Position

June 30, 2021

Governmental  
Activities

### Assets

|   |    |         |
|---|----|---------|
| Cash (Note 4)                                   | \$ | 244,557 |
| Receivables - Due from other governmental units |    | 98,947  |
| Total assets                                    |    | 343,504 |

### Liabilities

|                           |  |        |
|---------------------------|--|--------|
| Accounts payable          |  | 2,574  |
| Unearned revenue (Note 5) |  | 8,206  |
| Total liabilities         |  | 10,780 |

**Net Position - Unrestricted**

**\$ 332,724**

# Youth Advancement Academy

## Statement of Activities

Year Ended June 30, 2021

| Functions/Programs                            | Program Revenue   |                      |                                    | Governmental                                      |
|---|-------------------|----------------------|------------------------------------|---|
|   | Expenses          | Charges for Services | Operating Grants and Contributions | Activities  |
|   |                   |                      |                                    | Net (Expense) Revenue and Changes in Net Position |
| Primary government - Governmental activities: |                   |                      |                                    |   |
| Instruction                                   | \$ 232,905        | \$ -                 | \$ 148,665                         | \$ (84,240)                                       |
| Support services                              | 158,563           | -                    | -                                  | (158,563)   |
| Total primary government                      | <b>\$ 391,468</b> | <b>\$ -</b>          | <b>\$ 148,665</b>                  | (242,803)   |
| General revenue:                              |                   |                      |                                    |   |
| State aid not restricted to specific purposes |                   |                      |                                    | 369,210   |
| Interest and investment earnings              |                   |                      |                                    | 152   |
| Other   |                   |                      |                                    | 1,577   |
| Total general revenue                         |                   |                      |                                    | <u>370,939</u>                                    |
| <b>Change in Net Position</b>                 |                   |                      |                                    | 128,136   |
| <b>Net Position - Beginning of year</b>       |                   |                      |                                    | <u>204,588</u>                                    |
| <b>Net Position - End of year</b>             |                   |                      |                                    | <b><u>\$ 332,724</u></b>                          |

# Youth Advancement Academy

## Governmental Funds Balance Sheet

June 30, 2021

|   | General Fund      | Nonmajor<br>Fund - Student<br>Activities Fund | Total<br>Governmental<br>Funds |
|---|-------------------|---|--------------------------------|
| <b>Assets</b>                                   |                   |   |                                |
| Cash (Note 4)                                   | \$ 244,557        | \$ -  | \$ 244,557                     |
| Receivables - Due from other governmental units | 98,947            | -   | 98,947                         |
| Due from other funds (Note 6)                   | -                 | 1,367   | 1,367                          |
| Total assets                                    | <u>\$ 343,504</u> | <u>\$ 1,367</u>                               | <u>\$ 344,871</u>              |
| <b>Liabilities</b>                              |                   |   |                                |
| Accounts payable                                | \$ 2,574          | \$ -  | \$ 2,574                       |
| Due to other funds (Note 6)                     | 1,367             | -   | 1,367                          |
| Unearned revenue (Note 5)                       | 8,206             | -   | 8,206                          |
| Total liabilities                               | 12,147            | -   | 12,147                         |
| <b>Fund Balances</b>                            |                   |   |                                |
| Committed - Student activities                  | -                 | 1,367   | 1,367                          |
| Unassigned                                      | 331,357           | -   | 331,357                        |
| Total fund balances                             | <u>331,357</u>    | <u>1,367</u>                                  | <u>332,724</u>                 |
| Total liabilities and fund balances             | <u>\$ 343,504</u> | <u>\$ 1,367</u>                               | <u>\$ 344,871</u>              |

## Youth Advancement Academy

### Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balance

Year Ended June 30, 2021

|  | General Fund      | Nonmajor<br>Fund - Student<br>Activities Fund | Total<br>Governmental<br>Funds |
|--|-------------------|---|--------------------------------|
| <b>Revenue</b>                           |                   |   |                                |
| Local sources                            | \$ 729            | \$ 1,000                                      | \$ 1,729                       |
| State sources                            | 389,028           | -   | 389,028                        |
| Federal sources                          | 45,617            | -   | 45,617                         |
| Interdistrict                            | 83,230            | -   | 83,230                         |
| Total revenue                            | 518,604           | 1,000   | 519,604                        |
| <b>Expenditures</b>                      |                   |   |                                |
| Current:                                 |                   |   |                                |
| Instruction                              | 232,905           | -   | 232,905                        |
| Support services                         | 139,016           | 600   | 139,616                        |
| Capital outlay                           | 18,947            | -   | 18,947                         |
| Total expenditures                       | 390,868           | 600   | 391,468                        |
| <b>Net Change in Fund Balances</b>       | 127,736           | 400   | 128,136                        |
| <b>Fund Balances - Beginning of year</b> | 203,621           | 967   | 204,588                        |
| <b>Fund Balances - End of year</b>       | <b>\$ 331,357</b> | <b>\$ 1,367</b>                               | <b>\$ 332,724</b>              |

June 30, 2021

### Note 1 - Nature of Business

Youth Advancement Academy (the "Academy") is a school district in the state of Michigan that provides educational services to students.

### Note 2 - Significant Accounting Policies

#### *Accounting and Reporting Principles*

Youth Advancement Academy follows accounting principles generally accepted in the United States of America (GAAP), as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board (GASB). The following is a summary of the significant accounting policies used by the Academy:

#### *Reporting Entity*

The Academy was formed as a charter school academy pursuant to the Michigan School Code of 1976, as amended by Act No. 362 of the Public Acts of 1993 and Act No. 416 of the Public Acts of 1994.

The Academy is under a contract with the Kalamazoo Regional Educational Service Agency Board of Education to charter a public school academy, terminating on August 3, 2022. The contract requires the Academy to act exclusively as a governmental agency and not undertake any action inconsistent with its status as an entity authorized to receive state school aid funds pursuant to the state constitution. The Kalamazoo Regional Educational Service Agency Board of Education is the fiscal agent for the Academy and is responsible for overseeing the Academy's compliance with the contract and all applicable laws. The Academy pays the Kalamazoo Regional Educational Service Agency Board of Education 3 percent of total state aid as administrative fees. The total administrative fees for the year ended June 30, 2021 to the Kalamazoo Regional Educational Service Agency Board of Education were \$12,030.

#### *Educational Services*

On July 1, 2020, the Academy entered into three-year agreement for education services with Educational Partnerships Inc. beginning on July 1, 2020 and ending on June 30, 2023. Under the terms of the agreement, Educational Partnerships Inc. provides all the required labor, materials, and supervision necessary for the provision of educational services to the students. Fees under this contract for the year ended June 30, 2021 were approximately \$304,000.

#### *Report Presentation*

Governmental accounting principles require that financial reports include two different perspectives - the academy-wide perspective and the fund-based perspective. The academy-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units, as applicable. The academy-wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. All of the Academy's government-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Intergovernmental payments and other items not properly included among program revenue are reported instead as general revenue.

#### *Basis of Accounting*

The governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting is intended to better demonstrate accountability for how the Academy has spent its resources.

June 30, 2021

**Note 2 - Significant Accounting Policies (Continued)**

Expenditures are reported when the goods are received or the services are rendered.

Revenue is not recognized until it is collected or collected soon enough after the end of the year that it is available to pay for obligations outstanding at the end of the year. For this purpose, the Academy considers amounts collected within 60 days of year end to be available for recognition. Revenue not meeting this definition is classified as a deferred inflow of resources. Amounts reported as program revenue include operating grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all unrestricted state aid.

***Fund Accounting***

**Governmental Funds**

Governmental funds include all activities that provide general governmental services that are not business-type activities. Governmental funds can include the General Fund, special revenue funds, debt service funds, capital project funds, and permanent funds. The Academy's only major fund is the General Fund, which is the primary operating fund because it accounts for all financial resources used to provide government services. The Academy's only nonmajor fund is the Student Activities Fund, which accounts for the activities of the student groups.

**Interfund Activity**

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, certain eliminations are made in the preparation of the government-wide financial statements.

Furthermore, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

***Specific Balances and Transactions***

**Receivables**

The Academy considers all receivables to be fully collectible; accordingly, no allowance for uncollectable amounts is recorded.

**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).

**Comparative Data**

Comparative data are not included in the Academy's financial statements.



**Note 2 - Significant Accounting Policies (Continued)**

***Upcoming Accounting Pronouncement***

In June 2017, the GASB issued Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The Academy is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement, originally effective for the Academy's financial statements for the year ended June 30, 2021, were extended to June 30, 2022 with the issuance of GASB Statement No. 95, *Postponement of the Effective Date of Certain Authoritative Guidance*.

**Note 3 - Stewardship, Compliance, and Accountability**

***Budgetary Information***

Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the General Fund. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the Academy to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year. During the year, the budget was amended in a legally permissible manner.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders or contracts) are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

***Excess of Expenditures Over Appropriations in Budgeted Funds***

The Academy did not have significant expenditure budget variances.

**Note 4 - Deposits and Investments**

State statutes and the Academy's investment policy authorize the Academy to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The Academy is allowed to invest in U.S. Treasury or agency obligations, U.S. government repurchase agreements, bankers' acceptances, certificates of deposit, commercial paper rated prime at the time of purchase that matures no more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The Academy's deposits and investments are in accordance with statutory authority.

The Academy has designated one bank for the deposit of its funds.

***Custodial Credit Risk of Bank Deposits***

The Academy's deposits and investments are subject to custodial credit risk. Custodial credit risk is the risk that, in the event of a bank failure, the Academy's deposits may not be returned to it. The Academy does not have a deposit policy for custodial credit risk. At year end, the Academy's deposit balance of \$244,557 had no bank deposits (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized.

June 30, 2021

**Note 5 - Unearned Revenue**

Governmental funds also report unearned revenue recognition in connection with resources that have been received but not yet earned.

At June 30, 2021, the various components of unearned revenue were as follows:

|  | Governmental<br>Funds<br><u>Liability -<br/>Unearned</u> |
|--|--|
| Grant and categorical aid payment received prior to meeting all eligibility requirements | \$ 8,206   |

**Note 6 - Interfund Receivables, Payables, and Transfers**

The composition of interfund balances is as follows:

| <u>Fund Due To</u>      | <u>Fund Due From<br/>General Fund</u> |
|-------------------------|---------------------------------------|
| Student Activities Fund | \$ 1,367                              |

**Note 7 - Risk Management**

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

**Note 8 - Operating Leases**

The Academy uses facilities owned by a public school district for which no rent is charged. The fair market value of this rent-free facility's use is not known.

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## Required Supplemental Information

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## Youth Advancement Academy

### Required Supplemental Information Budgetary Comparison Schedule General Fund

Year Ended June 30, 2021

|   | Original<br>Budget | Final Budget      | Actual            | Over (Under)<br>Final Budget |
|---|--------------------|-------------------|-------------------|------------------------------|
| <b>Revenue</b>                          |                    |                   |                   |                              |
| Local sources                           | \$ 90              | \$ 290            | \$ 729            | \$ 439                       |
| State sources                           | 297,380            | 391,592           | 389,028           | (2,564)                      |
| Federal sources                         | 16,098             | 46,337            | 45,617            | (720)                        |
| Interdistrict                           | 49,559             | 76,970            | 83,230            | 6,260                        |
| Total revenue                           | 363,127            | 515,189           | 518,604           | 3,415                        |
| <b>Expenditures</b>                     |                    |                   |                   |                              |
| Current:                                |                    |                   |                   |                              |
| Instruction:                            |                    |                   |                   |                              |
| Basic programs                          | 226,603            | 169,818           | 165,335           | (4,483)                      |
| Added needs                             | 57,130             | 67,570            | 67,570            | -                            |
| Total instruction                       | 283,733            | 237,388           | 232,905           | (4,483)                      |
| Support services:                       |                    |                   |                   |                              |
| Pupil                                   | 20,377             | 20,788            | 16,288            | (4,500)                      |
| Instructional staff                     | 500                | 15,500            | 13,397            | (2,103)                      |
| General administration                  | 15,510             | 52,445            | 51,081            | (1,364)                      |
| School administration                   | 521                | 27,495            | 27,224            | (271)                        |
| Business                                | 19,640             | 35,024            | 34,451            | (573)                        |
| Operations and maintenance              | -                  | 8,000             | 7,549             | (451)                        |
| Central                                 | 700                | 8,023             | 7,973             | (50)                         |
| Total support services                  | 57,248             | 167,275           | 157,963           | (9,312)                      |
| Total expenditures                      | 340,981            | 404,663           | 390,868           | (13,795)                     |
| <b>Net Change in Fund Balance</b>       | 22,146             | 110,526           | 127,736           | 17,210                       |
| <b>Fund Balance - Beginning of year</b> | 203,621            | 203,621           | 203,621           | -                            |
| <b>Fund Balance - End of year</b>       | <b>\$ 225,767</b>  | <b>\$ 314,147</b> | <b>\$ 331,357</b> | <b>\$ 17,210</b>             |