

**Michigan Online School**

**Financial Statements**

**June 30, 2023**



**YEO & YEO**

**BUSINESS SUCCESS  
PARTNERS**

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**Michigan Online School**  
**Members of the Board of Directors and Administration**  
**June 30, 2023**

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**Members of the Board of Directors**

Jennifer Lengyel – President

Joshua Sudbury – Vice President

Shawn Smith - Treasurer

Shelley David Boyd – Member

**Administration**

Stephanie Hargens - Superintendent

## Independent Auditors' Report

Management and the Board of Directors  
Michigan Online School  
Gobles, Michigan

### Report on the Audit of the Financial Statements

#### Opinions

We have audited the accompanying financial statements of the governmental activities and the major fund of Michigan Online School, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Michigan Online School's basic financial statements as listed in the table of contents.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Michigan Online School, as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Michigan Online School, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Michigan Online School's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Michigan Online School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Michigan Online School's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2023, on our consideration of Michigan Online School'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 Michigan Online School'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 Michigan Online School's internal control over financial reporting and compliance.

*Yeo & Yeo, P.C.*

Kalamazoo, Michigan  
October 30, 2023

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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**Michigan Online School  
Management's Discussion and Analysis  
For the Year Ended June 30, 2023**

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This discussion and analysis of Michigan Online School's financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2023. The intent of this discussion and analysis is to provide, in layman's terms, a look at the School's performance and current position. We encourage readers to consider the information presented here in conjunction with the financial statements and the notes to the financial statements.

GASB 34 (Governmental Accounting Standards Board's Statement No. 34) requires this information. GASB 34 requires the presentation of two basic types of financial statements; namely, School-wide Financial Statements and Fund Financial Statements.

**Overview of the Financial Statements**

This annual report consists of four parts: (1) the independent auditor's report, (2) management's discussion and analysis, (3) the basic financial statements, and (4) required supplementary information. The financial statements also include notes that explain some of the information in the statements and provide more detail data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the School's budget for the year.

**School-wide Financial Statements**

The school-wide statements provide a financial perspective of the School as a whole. These statements are on the "full accrual" basis of accounting and provide information about the School's overall financial status. They are used to help determine whether the School is better off or worse off as the result of the year's activities. There are two school-wide statements: the *Statement of Net Position* and the *Statement of Activities*.

The *Statement of Net Position* reports all of the School's assets, deferred inflows and outflows, and liabilities, both short-term and long-term, regardless if they are "currently available" or not. Capital assets and long-term obligations of the School are reported in this statement.

The *Statement of Activities* accounts for the current year's revenues and expenses regardless of when cash is received or paid. The intent of this statement is to summarize and simplify the information relative to funding received and expenditures made for School services.



**Michigan Online School  
Management's Discussion and Analysis  
For the Year Ended June 30, 2023**

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The two school-wide statements report the School's net position and how they have changed. Net Position – the difference between the School's assets, deferred inflows and outflows, and liabilities – is one way to measure the School's financial health or position.

- Over time, increases or decreases in the School's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the School's overall health, one needs to consider additional non-financial factors such as the quality of the education provided.

In the school-wide statements, the School's activities are classified as *governmental activities*. This includes the School's basic services, such as regular and special education, technology support, and administration. State aid and federal grants typically finance most of these services.

### **Fund Financial Statements**

The fund financial statements focus on individual parts of the School, reporting the School's operations in more detail than the school-wide statements. 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 School's major instructional and instructional support activities are reported in the *General Fund*. The primary funding sources for the General Fund are typically from state foundation grant per student and state categorical funding for specific programs. The School has no other funds.

**Michigan Online School  
Management's Discussion and Analysis  
For the Year Ended June 30, 2023**

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**Financial Analysis of the School as a Whole**

The net position of the School as of June 30, 2023, was \$1,685,052 Figure A-1 below shows a breakdown of the net position.

<b>Figure A-1 Statement of Net Position</b>		
	2023	2022
<b>Assets</b>		
Cash	\$ 1,594,333	\$ 1,424,892
Accounts receivable	2,196	-
Due from other governmental units	2,708,236	1,789,653
Prepaid items	19,516	29,402
Total Assets	<u>4,324,281</u>	<u>3,243,947</u>
<b>Liabilities</b>		
Accounts payable	1,345,093	2,271,381
Due to other governmental units	28,078	-
Accrued expenditures	841,655	-
Unearned revenue	424,403	117,999
Total liabilities	<u>\$ 2,639,229</u>	<u>\$ 2,389,380</u>
Total Net Position	<u>\$ 1,685,052</u>	<u>\$ 854,567</u>

**Michigan Online School  
Management's Discussion and Analysis  
For the Year Ended June 30, 2023**

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**Comments on Major Changes to Net Position**

The net position of the School increased by \$830,485 during the 2022-23 year. Figure A- 2 shows the breakdown of this change. The Statement of Activities presented later in the school-wide financial statements, provides greater detail on the School's annual activity. The change in overall net position mirrors the change in the General Fund, discussed in greater detail later in this section. The cost of the School's governmental activities for the year was \$9,692,277.

**Figure A-2  
Condensed Statement of Revenues, Expenditures and Changes in Fund Balances**

	2023	2022
<b>Revenues</b>	\$ 8,116,082	\$ 7,844,138
<b>Expenses</b>		
Instruction	4,628,739	4,001,104
Supporting services	5,059,301	3,430,755
Community Services	4,237	1,848
	<u>9,692,277</u>	<u>7,433,707</u>
<b>Change in net position</b>	830,485	410,431
Beginning Net Position	<u>854,567</u>	<u>444,136</u>
Ending Net Position	<u><u>\$ 1,685,052</u></u>	<u><u>\$ 854,567</u></u>

**Michigan Online School  
Management's Discussion and Analysis  
For the Year Ended June 30, 2023**

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

The financial performance of the School as a whole is reflected in its governmental funds as well. The governmental funds fund balance increased by \$830,485 during the 2022-23 year. The General Fund equity ended the year at \$1,685,052. Since the General Fund is the only fund of the School, the primary factors affecting the change in fund balance was the net income of the same amount attributed to the General Fund.

**General Fund Budgetary Highlights**

The Uniform Budget Act of the State of Michigan requires that the Board of Directors approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year. When the budget is prepared each year, several unknown factors exist. Estimates are used for such major items as student count, service provider contracts, state aid, staffing, utilities, and repairs. As a matter of practice, the School amends its budget periodically during the year. These revisions are made in order to deal with unexpected changes in revenues and expenditures. The following analysis describes the reasons for changes in the budget during the year and the differences in actual and budget figures.

**Original budget to final budget**

There was a 24% decrease (\$3,467,504) in General Fund revenues from the original budget to the final budget.

- *State revenues* – The majority of this is due to lower enrollment than projected.

There was a 17% decrease (\$2,243,521) in General Fund expenditures from the original budget to the final budget.

- This was due to overbudgeting for salary expenses.

**Final budget to actual**

- There was a 2% difference (\$-210,646) between the final revenue budget and the actual revenue. The difference relates to unspent federal and state revenues.
- There was a % difference (\$-960,811) between the final expenditure budget and the actual expenditures. This was mainly due to reduced federal expenditures.

**Michigan Online School  
Management's Discussion and Analysis  
For the Year Ended June 30, 2023**

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**Factors Bearing on the School's Future**

- In March of 2020, the World Health Organization declared the outbreak of the coronavirus (COVID-19) as a pandemic which continues to spread throughout the United States. COVID-19 has caused a significant negative impact of the world economy. The duration and impact of the COVID-19 on the School's revenue from federal and state sources finances as well as student enrollment and the ability to deliver programming remains unclear at this time. The School's governance and leadership teams are carefully monitoring the situation and evaluating its options as circumstances evolve.
- The budget will be amended during the year to reflect updated foundation allowance information, actual student counts, changes to any legislation, and final staffing assignments.

**Requests for Information**

This financial report is designed to provide the School's taxpayers, parents, students, other stakeholders and creditors with a general overview of the School's finances, and to show how the School is accountable for the money it receives. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to the Michigan Online School, 209 S. State Street, PO Box 408, Gobles, MI 49055 or by calling (269) 216-6972.

## BASIC FINANCIAL STATEMENTS

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**Michigan Online School**  
**Statement of Net Position**  
**June 30, 2023**

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	<u>Governmental Activities</u>
<b>Assets</b>	
Cash	\$ 1,594,333
Accounts receivable	2,196
Due from other governmental units	2,708,236
Prepaid items	<u>19,516</u>
Total assets	<u>4,324,281</u>
<b>Liabilities</b>	
Accounts payable	1,345,093
Due to other governmental units	28,078
Accrued expenditures	841,655
Unearned revenue	<u>424,403</u>
Total liabilities	<u>2,639,229</u>
<b>Net Position</b>	
Unrestricted	<u>\$ 1,685,052</u>

See Accompanying Notes to the Financial Statements

**Michigan Online School**  
**Statement of Activities**  
**For the Year Ended June 30, 2023**

	<u>Expenses</u>	<u>Program Revenues</u> Operating Grants and Contributions	<u>Net (Expense) Revenue and Changes in Net Position</u>
<b>Functions/Programs</b>			
Governmental activities			
Instruction	\$ 4,628,739	\$ 1,118,831	\$ (3,509,908)
Supporting services	5,059,301	1,287,849	(3,771,452)
Community services	<u>4,237</u>	<u>-</u>	<u>(4,237)</u>
Total governmental activities	<u>\$ 9,692,277</u>	<u>\$ 2,406,680</u>	<u>(7,285,597)</u>
General revenues			
State aid - unrestricted			8,115,669
Interest and investment earnings			149
Other			<u>264</u>
Total general revenues			<u>8,116,082</u>
Change in net position			830,485
Net position - beginning			<u>854,567</u>
Net position - ending			<u>\$ 1,685,052</u>

See Accompanying Notes to the Financial Statements



**Michigan Online School**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2023**

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	<u>General Fund</u>
<b>Assets</b>	
Cash	\$ 1,594,333
Accounts receivable	2,196
Due from other governmental units	2,708,236
Prepaid items	<u>19,516</u>
 Total assets	 <u>\$ 4,324,281</u>
<b>Liabilities</b>	
Accounts payable	\$ 1,345,093
Due to other governmental units	28,078
Accrued expenditures	841,655
Unearned revenue	<u>424,403</u>
 Total liabilities	 <u>2,639,229</u>
<b>Fund Balance</b>	
Non-spendable	
Prepaid items	19,516
Unassigned	<u>1,665,536</u>
 Total fund balance	 <u>1,685,052</u>
 Total liabilities and fund balance	 <u>\$ 4,324,281</u>

See Accompanying Notes to the Financial Statements

**Michigan Online School**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**For the Year Ended June 30, 2023**

	General Fund
<b>Revenues</b>	
Local sources	\$ 413
State sources	8,974,345
Federal sources	1,548,004
Total revenues	10,522,762
<b>Expenditures</b>	
Current	
Education	
Instruction	4,607,977
Supporting services	5,036,608
Community services	4,237
Capital outlay	43,455
Total expenditures	9,692,277
Excess of revenues over expenditures	830,485
Fund balance - beginning	854,567
Fund balance - ending	\$ 1,685,052

See Accompanying Notes to the Financial Statements

**Michigan Online School**  
**Notes to the Financial Statements**  
**June 30, 2023**

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**Note 1 - Summary of Significant Accounting Policies**

The accounting policies of the Michigan Online School (the School) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the School's significant accounting policies:

**Reporting Entity**

The School is governed by an appointed five-member Board of Directors. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School's reporting entity, and which organizations are legally separate component units of the School. The School has no component units.

The School 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 School has entered into a contract with Gobles Public Schools to charter a public school academy through June 30, 2027. The contract requires the School 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. Gobles Public Schools is the fiscal agent for the School and is responsible for overseeing the School's compliance with the contract and all applicable laws. The School pays Gobles Public Schools three percent of the state aid foundation as administrative fees. The total administrative fees for the year to Gobles Public Schools was approximately \$270,000 (will be adjusted due to MPERS).

**School-wide Financial Statements**

The School's basic financial statements include both school-wide (reporting for the school as a whole) and fund financial statements (reporting the School's major funds). The school-wide financial

statements categorize all nonfiduciary activities as either governmental or business type. All the School's activities are classified as governmental activities.

The statement of net position presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The School's net position is reported in three parts (1) net investment in capital assets, (2) restricted net position, and (3) unrestricted net position.

The statement of activities reports both the gross and net cost of each of the School's functions. The functions are also supported by general government revenues (such as certain intergovernmental revenues). 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 (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The School does not allocate indirect costs. In creating the school-wide financial statements the School has eliminated interfund transactions.

The school-wide focus is on the sustainability of the School as an entity and the change in the School's net position resulting from current year activities.

**Fund Financial Statements**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current

**Michigan Online School**  
**Notes to the Financial Statements**  
**June 30, 2023**

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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.

Unrestricted state aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

The School reports the following major governmental fund:

General Fund - The General Fund is used to record the general operations of the School pertaining to education and those operations not required to be provided for in other funds.

**Assets, Liabilities and Net Position**

Cash - Cash and cash equivalents include cash on hand and demand deposits.

Receivables and Payables - Generally, outstanding amounts owed between funds are classified as “due from/to other funds.” These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

Prepaid Items - Certain payments to vendors reflect costs applicable to future fiscal years. For such payments in governmental funds the School follows the consumption method, and they therefore are capitalized as prepaid items in both school-wide and fund financial statements.

Fund Balance - In the fund financial statements, governmental funds report fund balance in the following categories:

Non-spendable - amounts that are not available in a spendable form.

Restricted - amounts that are legally imposed or otherwise required by external parties to be used for a specific purpose.

Committed - amounts that have been formally set aside by the Board of Directors for specific purposes. A fund balance commitment may be established, modified, or rescinded by a resolution of the Board of Directors.

Assigned – amounts intended to be used for specific purposes, as determined by the Board of Directors. The Board of Directors has granted the Superintendent the authority to assign funds. Residual amounts in governmental funds other than the General Fund are automatically assigned by their nature.

Unassigned - all other resources; the remaining fund balances after non-spendable, restrictions, commitments, and assignments.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the School’s policy is to consider restricted funds spent first.

When an expenditure is incurred for purposes for which committed, assigned, or unassigned amounts could be used, the School’s policy is to consider the funds to be spent in the following order: (1) committed, (2) assigned, (3) unassigned.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent

**Michigan Online School**  
**Notes to the Financial Statements**  
**June 30, 2023**

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assets and liabilities, as well as deferred inflows and deferred outflows of resources at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

**Adoption of New Accounting Standards**

During the year ended June 30, 2023 the School District adopted new accounting guidance, GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITAs). Our opinions are not modified with respect to this matter. The School District has determined that the effects of this standard are immaterial to the financial statements; and therefore, no SBITAs are recorded or disclosed.

**Upcoming Accounting and Reporting Changes**

Statement No. 100, *Accounting Changes and Error Corrections*, improves the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. More understandable, reliable, relevant, consistent and comparable information will be provided to financial statement users for making decisions or assessing accountability. Additionally, the display and note disclosure requirements will result in more consistent, useful, understandable and comprehensive information for users about accounting changes and error in corrections. This statement is effective for the year ending June 30, 2024.

Statement No. 101, *Compensated Absences*, updates the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This statement is effective for the year ending June 30, 2025.

The School is evaluating the impact that the above pronouncements will have on its financial reporting.

**Note 2 - Stewardship, Compliance, and Accountability**

**Budgetary Information**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and state law for the General Fund. All annual appropriations lapse at fiscal year end, thereby canceling all encumbrances. These appropriations are reestablished at the beginning of the year.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. State law requires the School to have its budget in place by July 1. A school is not considered in violation of the law if reasonable procedures are in use by the School to detect violations.

Any revisions that alter the total expenditures of the fund must be approved by the Board of Directors.

Budgeted amounts are as originally adopted or as amended by the Board of Directors throughout the year.

**Excess of Expenditures over Appropriations**

The School District did not have any significant budget to actual expenditure variances for any function.

**Note 3 - Deposits and Investments**

The School's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Total Primary Government</u>
Cash	\$ <u>1,594,333</u>

**Michigan Online School**  
**Notes to the Financial Statements**  
**June 30, 2023**

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The breakdown between deposits and investments for the School is as follows:

Deposits (checking and savings accounts) \$ 1,594,333

Interest rate risk - The School does not have a formal investment policy to manage its exposure to fair value losses arising from changes in interest rates.

Credit risk - State statutes and the School's investment policy authorize the School to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan; the School is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles.

Concentration of credit risk - The School does not have a concentration of credit risk policy. Concentration of credit risk is the risk of loss attributed to the magnitude of the School investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk - deposits - In the case of deposits, this is the risk that in the event of a bank failure, the School's deposits may not be returned to it. The School does not have a deposit policy for custodial credit risk. As of year end, \$1,344,333 of the School's bank balance of \$1,594,333 was exposed to custodial credit risk because it was uninsured and uncollateralized.

#### **Note 4 - Unearned Revenue**

Governmental funds report unearned revenue in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the components of unearned revenue are as follows:

Grant and categorical aid payments received prior  
to meeting all eligibility requirements \$ 424,403

#### **Note 5 - Contingent Liabilities**

Amounts received or receivable from grantor agencies are subjected to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of costs which may be disallowed by the grantor cannot be determined at this time, although the School expects such amounts, if any, to be immaterial.

#### **Note 6 - MPSERS Reporting**

The School acknowledges that the financial statements for the Michigan Public School Employees Retirement System (MPSERS) Plan includes data for Michigan Online School. The School has no employees, and therefore believes an error has occurred related to the reporting of certain individuals. The School is currently working with the Office of Retirement Services and its management company to resolve the issue, but feels that no information related to the School should be on the financial statements of the MPSERS Plan. As such, the financial statements of the School does not include any information related to MPSERS. Management also notes that the information currently reported on the MPSERS financial statements is immaterial to the financial statements of the School.

**Michigan Online School**  
**Notes to the Financial Statements**  
**June 30, 2023**

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**Note 7 - Management Company**

The School has a management agreement with Accel Online Michigan, LLC. Under the terms of this agreement, Accel Online Michigan, LLC provides a variety of services including management, curriculums, education programs and teacher training. The School is obligated to pay Accel Online Michigan, LLC a fee of 13% of total federal, state, and local funds received. The total charged for these services amounted to approximately \$1,370,000 for the year ended June 30, 2023

Additionally, Accel Online Michigan, LLC will be reimbursed for all costs incurred and paid on behalf of the School. Such costs include, but are not limited to, salaries of Accel Online Michigan, LLC employees, costs related to curriculum, instructional materials, textbooks, library books, computers, software, and supplies. Substantially all expenditures during the year were paid for management, program, and administrative fee expense. Also, substantially all liabilities for the year were payable to Accel for costs incurred on the School's behalf.

## REQUIRED SUPPLEMENTARY INFORMATION

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**Michigan Online School**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule - General Fund**  
**For the Year Ended June 30, 2023**

	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
<b>Revenues</b>				
Local sources	\$ 2,650	\$ 650	\$ 413	\$ (237)
State sources	12,707,216	9,108,506	8,974,345	(134,161)
Federal sources	1,491,046	1,624,252	1,548,004	(76,248)
Total revenues	<u>14,200,912</u>	<u>10,733,408</u>	<u>10,522,762</u>	<u>(210,646)</u>
<b>Expenditures</b>				
Instruction				
Basic programs	5,180,901	4,490,354	3,822,922	(667,432)
Added needs	1,182,157	817,664	785,055	(32,609)
Supporting services				
Pupil	1,787,335	1,235,477	1,221,708	(13,769)
Instructional staff	816,275	678,723	667,221	(11,502)
General administration	2,432,235	1,866,798	1,849,890	(16,908)
School administration	663,761	645,000	644,169	(831)
Business	317,985	241,839	236,410	(5,429)
Operations and maintenance	92,631	305,833	140,307	(165,526)
Central	423,329	312,900	276,903	(35,997)
Community services	-	8,500	4,237	(4,263)
Capital outlay	-	50,000	43,455	(6,545)
Total expenditures	<u>12,896,609</u>	<u>10,653,088</u>	<u>9,692,277</u>	<u>(960,811)</u>
Excess of revenues over expenditures	1,304,303	80,320	830,485	750,165
Fund balance - beginning	<u>854,567</u>	<u>854,567</u>	<u>854,567</u>	<u>-</u>
Fund balance - ending	<u>\$ 2,158,870</u>	<u>\$ 934,887</u>	<u>\$ 1,685,052</u>	<u>\$ 750,165</u>

**Michigan Online School**

**Single Audit**

**June 30, 2023**



**YEO & YEO**

**BUSINESS SUCCESS  
PARTNERS**

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# 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 Auditors' Report

Management and the Board of Directors  
Michigan Online School  
Gobles, 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 and the major fund of Michigan Online School, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Michigan Online School's basic financial statements, and have issued our report thereon dated October 30, 2023.

### Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Michigan Online School's internal control over financial reporting (internal control) as a basis for designing 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 Michigan Online School's internal control. Accordingly, we do not express an opinion on the effectiveness of Michigan Online School'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 or significant deficiencies may exist that were not identified.

### Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Michigan Online School'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 financial statements. 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.

*Yeo & Yeo, P.C.*

Kalamazoo, Michigan  
October 30, 2023

## **Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

### **Independent Auditors' Report**

Management and the Board of Directors  
Michigan Online School  
Gobles, Michigan

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

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

We have audited Michigan Online School's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Michigan Online School's major federal programs for the year ended June 30, 2023. Michigan Online School's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Michigan Online School complied, in all material respects, with the 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, 2023.

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Michigan Online School and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Michigan Online School's compliance with the compliance requirements referred to above.

##### **Responsibilities of Management for Compliance**

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or agreements applicable to Michigan Online School's federal programs.

### **Auditors' Responsibilities for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Michigan Online School's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Michigan Online School's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Michigan Online School's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Michigan Online School's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Michigan Online School's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

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

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over noncompliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses and significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

**Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Michigan Online School, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Michigan Online School's basic financial statements. We issued our report thereon dated October 30, 2023, which contained unmodified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information 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. The information has been subjected to the auditing procedures applied in the audit of the 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.

*Yeo & Yeo, P.C.*

Kalamazoo, Michigan  
October 30, 2023



**Michigan Online School**  
**Schedule of Expenditures of Federal Awards**  
**June 30, 2023**

Program Title/Project Number/Subrecipient Name	Grant/Project Number	Assistance Listing Number	Approved Award Amount	(Memo Only) Prior Year Expenditures	Accrued Revenue at July 1, 2022	Current Year Receipts	Expenditures	Accrued Revenue at June 30, 2023
Federal Communications Commission								
Passed through Universal Service Administrative Company								
COVID-19 - Emergency Connectivity Funds	ECF202109183	32.009	\$ 181,902	\$ -	\$ -	\$ 181,902	\$ 181,902	\$ -
U.S. Department of Education								
Passed through the Michigan Department of Education:								
Title I Grants to Local Educational Agencies 2021-2022	221530	84.010	256,055	188,685	188,685	246,515	57,830	-
Title I Grants to Local Educational Agencies 2022-2023	231530	84.010	415,975	-	-	107,651	249,665	142,014
Total Title I Grants to Local Educational Agencies			<u>672,030</u>	<u>188,685</u>	<u>188,685</u>	<u>354,166</u>	<u>307,495</u>	<u>142,014</u>
Passed through Van Buren County Intermediate School District:								
Special Education Cluster:								
IDEA Flow Through	230450	84.027	123,334	73,595	-	-	123,334	123,334
Passed through the Michigan Department of Education:								
Supporting Effective Instruction State Grants 2021-2022	220520	84.367	26,859	25,080	25,080	25,080	-	-
Supporting Effective Instruction State Grants 2022-2023	230520	84.367	60,030	-	-	33,920	60,030	26,110
Total Supporting Effective Instruction State Grants			<u>86,889</u>	<u>25,080</u>	<u>25,080</u>	<u>59,000</u>	<u>60,030</u>	<u>26,110</u>
Passed through the Michigan Department of Education:								
Title IV - Student Support and Academic Enrichment	220750	84.424	12,123	12,123	12,123	12,123	-	-
Title IV - Student Support and Academic Enrichment	230750	84.424	14,077	-	-	14,077	14,077	-
Total Title IV - Student Support and Academic Enrichment			<u>26,200</u>	<u>12,123</u>	<u>12,123</u>	<u>26,200</u>	<u>14,077</u>	<u>-</u>
Passed through the Michigan Department of Education:								
Education Stabilization Fund Under the Coronavirus Aid, Relief, and Economic Security Act								
COVID-19 - ESSER II Formula	213712	84.425D	575,403	153,477	153,477	153,477	380,640	380,640
COVID-19 - ESSER II Formula	213782	84.425D	32,750	-	-	-	32,750	32,750
Total 84.425D			608,153	153,477	153,477	153,477	413,390	413,390
COVID-19 - ESSER III Formula	213713	84.425U	1,293,190	114,546	-	114,546	447,776	333,230
Total Education Stabilization Fund			<u>1,901,343</u>	<u>268,023</u>	<u>153,477</u>	<u>268,023</u>	<u>861,166</u>	<u>746,620</u>
Total U.S Department of Education			<u>2,809,796</u>	<u>567,506</u>	<u>379,365</u>	<u>707,389</u>	<u>1,366,102</u>	<u>1,038,078</u>
<b>Total Federal Awards</b>			<b><u>\$ 2,991,698</u></b>	<b><u>\$ 567,506</u></b>	<b><u>\$ 379,365</u></b>	<b><u>\$ 889,291</u></b>	<b><u>\$ 1,548,004</u></b>	<b><u>\$ 1,038,078</u></b>

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

**Michigan Online School**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**June 30, 2023**

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**Note 1 - Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Michigan Online School under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Michigan Online School, it is not intended to and does not present the financial position or changes in financial position of Michigan Online School.

**Note 2 - Summary of Significant Accounting Policies**

**Expenditures**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, where certain types of expenditures are not allowable or are limited as to reimbursement.

**Indirect Cost Rate**

Michigan Online School has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**Note 3 - Subrecipients**

No amounts were provided to subrecipients.

**Note 4 - Michigan Department of Education Disclosures**

The federal amounts reported on the grant auditor report is in agreement with the Schedule.

The amounts reported on the recipient entitlement balance report agree with the Schedule for U.S.D.A. donated food commodities.

**Michigan Online School**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2023**

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**Section I – Summary of Auditors’ Results**

*Financial Statements*

Type of report the auditor issued on whether the financial statements were prepared in accordance with Generally Accepted Accounting Principles:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ Yes   X   No
- Significant deficiency(ies) identified \_\_\_\_\_ Yes   X   None reported
- Noncompliance material to financial statements noted? \_\_\_\_\_ Yes   X   No

*Federal Awards*

Internal control over major federal programs:

- Material weakness(es) identified? \_\_\_\_\_ Yes   X   No
- Significant deficiency(ies) identified \_\_\_\_\_ Yes   X   None reported

Type of auditors’ report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? \_\_\_\_\_ Yes   X   No

Identification of major federal programs:

**Assistance Listing Number(s)**

**Name of Federal Program or Cluster**

84.425D, 84.425U

Education Stabilization Funds

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

Auditee qualified as low-risk auditee? \_\_\_\_\_ Yes   X   No

**Michigan Online School**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2023**

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**Section II – *Government Auditing Standards* Findings**

There were no *Government Auditing Standards* findings for the year ended June 30, 2023.

**Section III – Federal Award Findings**

There were no findings or questioned costs for Federal Awards for the year ended June 30, 2023.

**Michigan Online School**  
**Summary Schedule of Prior Audit Findings**  
**June 30, 2023**

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**Section IV – Government Auditing Standards Findings**

There were no *Government Auditing Standards* findings for the year ended June 30, 2022.

**Section V – Federal Award Findings**

A single audit was not required for the year ended June 30, 2022; as such, there were no findings or questioned costs for Federal Awards for the year ended June 30, 2022.

October 30, 2023

Management and the Board of Directors  
Michigan Online School  
Gobles, Michigan

We have audited the financial statements of the governmental activities and the major fund of Michigan Online School (the School) as of and for the year ended June 30, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, and *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated May 31, 2023. Professional standards also require that we communicate to you the following information related to our audit.

We discussed these matters with various personnel in the School during the audit including management. We would also be pleased to meet with you to discuss these matters at your convenience.

### **Significant Audit Matters**

#### **Qualitative Aspects of Accounting Practices**

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the School are described in the footnotes of the financial statements. The School has adopted the following Governmental Accounting Standards Board Statement effective July 1, 2022:

- Statement No. 96, *Subscription-Based Information Technology Arrangements* is based on the standards established in Statement No. 87 *Leases*. This statement (1) defines a SBITA as a contract that conveys control of the right to use a SBITA vendor's IT software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction (2) requires governments with SBITAs to recognize a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability, and (3) provides guidance related to outlays other than subscription payments, including implementation costs, and requirements for note disclosures related to a SBITA.

We noted no transactions entered into by the School during the year where there is lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statement in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. There were no significant estimates in the financial statements.

We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Disclosures in the financial statements are neutral, consistent and clear.

A significant risk is an identified and assessed risk of material misstatement that, in the auditors' professional judgment, requires special audit consideration. Within our audit, we focused on the following areas.

- Management override of controls
- Improper revenue recognition
- Implementation of new accounting standard
- Information technology controls

### **Accounting Standards and Regulatory Updates**

The Governmental Accounting Standards Board has released additional Statements. Details regarding these Statements are described in the footnotes of the financial statements.

Implementation Guide No 2021-1, *Implementation Guidance Update-2021* has an amended response related to the capitalization of assets purchased as a group. Under the amended guidance, governments *should* capitalize individual items when the purchase in the aggregate is considered significant, even if the individual items are less than the capitalization threshold of the government. The effective date for implementation is for reporting periods beginning after June 15, 2023 (effectively, for the first year ended June 30, 2024 or later) and requires retroactive implementation.

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

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

### **Corrected and Uncorrected Misstatements**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial and communicate them to the appropriate level of management. Management has corrected all such misstatements except as discussed below.

In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Management has determined that the effects of the uncorrected misstatements summarized below are immaterial both individually and, in the aggregate, to the financial statements taken as a whole. The uncorrected misstatements or the matters underlying them could potentially cause future period financial statements to be materially misstated, even though, in our judgment, such uncorrected misstatements are immaterial to the financial statements under audit.

Subscription-based information technology arrangement (SBITA) liabilities and related right of use assets are understated by approximately \$49,978 on the district-wide financial statements. On the General Fund, SBITA proceeds and related capital outlay expense is understated by the same amount.

Lease liabilities and related right of use assets are understated by approximately \$127,200 in the district-wide statements.

Management has determined to exclude disclosures related to SBITAs and leases which are typically required by accounting principles generally accepted in the United States of America as it was determined to be immaterial to the financial statements taken as a whole.

### **Disagreements with Management**

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

## **Management Representations**

We have requested certain representations from management that are included in the management representation letter dated as of the date of the audit report.

## **Management's Consultations with Other Accountants**

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

## **Other Audit Findings or Issues**

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

## **Other Reports**

Other information that is required to be reported to you is included in the 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*; Independent Auditors' Report on Compliance For Each Major Federal Program; Independent Auditors' Report on Internal Control Over Compliance; Independent Auditors' Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance; and the Schedule of Findings and Questioned Costs. Please read all information included in those reports to ensure you are aware of relevant information.

## **Report on Required Supplementary Information**

We applied certain limited procedures to management's discussion and analysis and the remaining required supplementary information (RSI) as described in the table of contents of the financial statements that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

## **Restriction on Use**

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

*Yeo & Yeo, P.C.*

Kalamazoo, Michigan