

**Arts and Technology Academy of Pontiac**  
**Financial Statements**  
**June 30, 2022**



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**Members of the Board of Directors**

Mrs. Iola Miller	President
Ms. Cheralyn Sanford	Vice President and Treasurer
Mrs. Stacy Gay-Weaver	Secretary
Mr. Rachard Morris	Director



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## Independent Auditors' Report

To the Board of Directors  
Arts and Technology Academy of Pontiac  
Pontiac, Michigan

### Report on the Audit of the Financial Statements

#### Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Arts and Technology Academy of Pontiac, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Arts and Technology Academy of Pontiac'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, each major fund, and the aggregate remaining fund information of the Arts and Technology Academy of Pontiac, as of June 30, 2022, 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 the Arts and Technology Academy of Pontiac, 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.

#### Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2022 the Academy adopted new accounting guidance, GASBS No. 87, *Leases*. Our opinions are not modified with respect to this matter.

## **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 the Arts and Technology Academy of Pontiac' 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 the Arts and Technology Academy of Pontiac'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 the Arts and Technology Academy of Pontiac '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 Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Arts and Technology Academy of Pontiac's basic financial statements. The other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis 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 other supplementary information, as identified in the table of contents, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information, as identified in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2022 on our consideration of the Arts and Technology Academy of Pontiac's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Arts and Technology Academy of Pontiac's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Arts and Technology Academy of Pontiac's internal control over financial reporting and compliance.

Yeo & Yeo, P.C.

Flint, Michigan  
October 21, 2022

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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## MANAGEMENT’S DISCUSSION AND ANALYSIS

Arts & Technology Academy of Pontiac is a Pre-Kindergarten through 12th grade Public School Academy located in Pontiac, Michigan. This Management’s Discussion and Analysis, a requirement of GASB 34, is intended to be the Arts & Technology Academy of Pontiac administration’s discussion and analysis of the financial results for the fiscal year ended June 30, 2022.

### FINANCIAL HIGHLIGHTS OF THE ACADEMY

	Current Fiscal Year	Prior Fiscal Year
State Aid Funding Per Pupil	\$8,700	\$8,111
Enrollment	812	788
General Fund Balance Increase/(Decrease)	(\$207,012)	(\$95,018)
General Fund Balance as percent of Unrestricted State Aid Revenue	12%	14%

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

#### FUND FINANCIAL STATEMENTS:

For the most part, the fund financial statements are comparable to general purpose financial statements. The primary difference is that the Account Groups: General Fixed Assets and General Long-Term Debt are no longer reported. The fund level statements are reported on a modified accrual basis. Only those assets that are “measurable” and “currently available” are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

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

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

The academy has one kind of fund:

Governmental fund – Most of the Academy’s basic services are included in governmental funds which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Academy’s programs. Because this information does not encompass the additional long-term focus of the academy-wide statements, we provide additional information with the governmental funds statement that explains the relationship (or differences) between them.



## ACADEMY WIDE FINANCIAL STATEMENTS:

The Academy-wide financial statements are maintained using the “full accrual” basis. They report all of the Academy’s assets and liabilities, both short and long term, regardless if they are “currently available” or not. For example, assets that are restricted for use in the Debt Funds solely for the payment of long term principal or interest are grouped with unrestricted assets of the General Fund. Capital assets and long-term obligations of the Academy are reported in the Statement of Net Position of the Academy-wide financial statements.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the Academy’s budget for the year. Figure A-1 shows how the various parts of the annual report are arranged and related to one another.

**Figure A-1 Organization of Arts & Technology Academy of Pontiac Annual Financial Report**

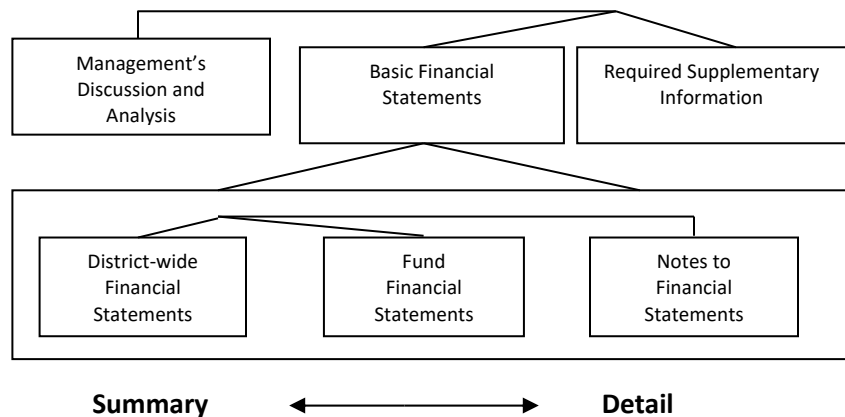


Figure A-2 summarizes the major features of the Academy’s financial statements, including the portion of the Academy’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights the structure and contents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

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

	<b>Academy-wide statements</b>	<b>Fund Financial Statements</b>
<b>Scope</b>	Entire academy (except fiduciary funds)	All activities of the academy that are not fiduciary
<b>Required financial statements</b>	* Statement of net position * Statement of activities	* Balance sheet * Statement of revenues, expenditures, and changes in fund balances
<b>Accounting basis and measurement focus</b>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
<b>Type of asset/liability information</b>	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included
<b>Type of inflow/outflow information</b>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable

## FINANCIAL ANALYSIS OF THE ACADEMY AS A WHOLE

	<b>Current Fiscal Year</b>	<b>Prior Fiscal Year</b>
Ending General Fund Balance	\$825,701	\$1,032,713
Total General Fund Revenue	\$9,688,246	\$8,727,338
State Aid Foundation Allowance as percent of Academy Revenues	79%	83%
Total Cost of Instructional Programs	\$4,990,345	\$4,518,565
Instructional Expenditures as percent of Total Expenditures	51%	64%
Total Cost of Support/Operational Services	\$3,716,216	\$2,582,696
Support/Operational Services as percent of Total Expenditures	38%	36%
Total Expenditures transferred to Debt Service	\$778,203	\$876,563
Transfer to Debt Service as percent of Total Expenditures	8%	11%

## ACADEMY GOVERNMENTAL ACTIVITIES

### Summary of Net Position:

The following summarizes the net position at fiscal year ended June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
<b>Assets</b>		
Current Assets	\$ 3,605,528	\$ 3,669,753
Capital Assets	12,615,664	11,751,120
Less: Accumulated Depreciation	<u>3,515,584</u>	<u>3,045,642</u>
Capital Assets, Net Book Value	<u>9,100,080</u>	<u>8,705,478</u>
Total Assets and Deferred Outflows	<u>\$ 12,705,608</u>	<u>\$ 12,375,231</u>
<b>Liabilities</b>		
Current Liabilities	\$ 1,673,472	\$ 1,516,101
Long-term Liabilities	<u>10,319,477</u>	<u>10,422,678</u>
Total Liabilities and Deferred Inflows	<u>\$ 11,992,949</u>	<u>\$ 11,938,779</u>
<b>Net Position</b>		
Invested in Capital Assets, Net of Related Debt (Deficit)	\$ (606,329)	\$ (1,104,132)
Restricted for Food Service	44	
Restricted for Debt Service	1,020,166	1,057,320
Unrestricted	<u>298,778</u>	<u>483,264</u>
Total Net Position	<u>\$ 712,659</u>	<u>\$ 436,452</u>

## Results of Operations:

For the fiscal year ended June 30, 2022 and 2021, the Academy wide results of operations were:

	2022		2021	
	Amount	% of Total	Amount	% of Total
<b>General Revenue:</b>				
State of Michigan Aid - All Sources	\$ 7,632,044	75.83%	\$ 7,331,400	79.71%
Other	95,022	0.94%	28,858	0.31%
Total General Revenue	<u>7,727,066</u>	<u>76.77%</u>	<u>7,360,258</u>	<u>80.03%</u>
<b>Program Revenue:</b>				
Charges for Services	95,980	0.95%	132,008	1.44%
Operating Grants - Federal and State	<u>2,242,166</u>	<u>22.28%</u>	<u>1,704,949</u>	<u>18.54%</u>
Total Program Revenue	<u>2,338,146</u>	<u>23.23%</u>	<u>1,836,957</u>	<u>19.97%</u>
Total Revenue	<u>10,065,212</u>	<u>100.00%</u>	<u>9,197,215</u>	<u>100.00%</u>
<b>Expenses:</b>				
Instruction and Instructional Services	4,334,962	42.12%	3,862,397	42.14%
Support Services	3,643,762	35.41%	3,435,782	37.48%
Food Service	438,725	4.26%	368,914	4.02%
Capital Outlay	695,147	6.75%	504,455	5.50%
Athletics	69,926	0.68%	33,275	0.36%
Student Activities	11,833	0.11%	4,208	0.05%
Community Services	146,669	1.43%	89,510	0.98%
Interest on Long-term Debt	949,884	9.23%	867,259	9.46%
Total Expenses	<u>10,290,908</u>	<u>100.00%</u>	<u>9,165,800</u>	<u>100.00%</u>
Change in Net Position	<u>\$ (225,696)</u>		<u>\$ 31,415</u>	

During the fiscal year ended June 30, 2022, the Academy's net position decreased by (\$225,696) as compared to a net increase of \$31,415 in the prior fiscal year. The most significant difference between prior year and current year is the total general fund revenue remained steady but total general fund expenditures increased.

### State of Michigan Aid and Other Factors affecting Revenue

The State of Michigan aid is determined by the following variables:

- Per Student, Foundation Allowance: Annually, the State of Michigan sets the per student foundation allowance. The Arts & Technology Academy of Pontiac foundation allowance was \$8,700.
- Student Enrollment: The Academy's student enrollment for the final blended count of 2021-22 was 812 students. To calculate total state aid to be provided by the foundation allowance, a system (Section 25) where the funding follows the student was used. This means adjustments were made to the current year fall count when students enrolled or unenrolled until the current year winter count to calculate the adjusted fall count. A blend of 90% of the adjusted current year fall count and 10% of the prior year spring count is multiplied by the Academy's foundation allowance.
- Total Section 25 adjustment was a loss of 3.04 FTE or (\$26,448).
- Additional federal funding was available during the 2021-22 fiscal years to supplement summer school programs, credit recovery, before/after school care. Federal dollars can be applied for to provide students/families with items necessary for remote connectivity and learning. This funding is expected to be available again in fiscal year 2022-23.

Subsequent to year end June 30, 2022, preliminary student enrollments for 2022-23 indicate that the 2022 fall student enrollment will be slightly higher than the 2020-21 levels.

## GENERAL FUND BUDGETARY HIGHLIGHTS

The Uniform Budget Act of the State of Michigan requires that the local Board of Directors approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year. Over the course of the year, the Academy revised the annual operating budget two times. These budget amendments fall into several categories:

Changes were made in the second and fourth quarters to account change in student enrollment, federal funding, and changes in assumptions (e.g. staffing changes, instructional, transportation, food services and community services) since the original budget was adopted.

The Academy's revenues from General Fund operations subceded expenditures by \$714,724 for the fiscal year ended June 30, 2022.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital assets

The Academy's net investment in capital assets increased by \$220,741 during the fiscal year. This can be summarized as follows:

	Restated Beginning Balance 6/30/21	Additions	Disposals	Ending Balance 6/30/22
Depreciable Capital Assets	\$ -	\$ -	\$ -	\$ -
Non-Depreciable Capital Assets (Land)	874,407		474,407	400,000
Depreciable Capital Assets	11,050,574	1,165,090		12,215,664
Less: Accumulated Depreciation	<u>(3,045,642)</u>	<u>(469,942)</u>	<u>-</u>	<u>(3,515,584)</u>
Net Investment in Capital Assets	<u>\$ 8,879,339</u>	<u>\$ 695,148</u>	<u>\$ 474,407</u>	<u>\$ 9,100,080</u>

### Depreciation Expense

GASB 34 requires Public School Academies to maintain a record of annual depreciation expense and accumulated depreciation. The net increase in accumulated depreciation expense is a reduction in net assets in the entity wide financial statements. Depreciation is not recognized in the fund financial statements and has been noted as a reconciling item in the Academy's financial statements.

For fiscal year ended June 30, 2022, the net increase in accumulated depreciation and amortization was \$469,942.

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of assets. In accordance with U.S. generally accepted accounting principles (GAAP), depreciation expense is recorded based on the original cost of the asset, less an estimated salvage value.

## Debt, Principal Payments

A summary of long-term debt service activities is as follows.

	<u>Balance 6/30/2021</u>	<u>New Financings</u>	<u>Principal Payments</u>	<u>Balance 6/30/2022</u>
Certificates of Participation	\$ 10,416,263	\$ -	\$ 198,163	\$ 10,218,100
Lease Liability	<u>180,276</u>	<u>-</u>	<u>78,899</u>	<u>101,377</u>
Total Long-term Obligations	<u>\$ 10,596,539</u>	<u>\$ -</u>	<u>\$ 277,062</u>	<u>\$ 10,319,477</u>

## ECONOMIC FACTORS BEARING ON THE ACADEMY'S FUTURE

The Preliminary Budget for the 2022-23 Fiscal Year was adopted by the Board of Directors in June 2022. Few definite factors were known as the budget was being drafted, and others were unknown and needed to be projected with management's best estimates based on perceived interest from the community. Some key factors and estimates used in the 2022-23 budget preparation process include:

- State Aid Foundation is estimated with a \$250 per pupil increase. The state aid increase was actually \$450 per pupil as approved in the summer of 2022.
- Conservative enrollment projections of 775 students in grades K-12.
- Continued improvement of academic achievement through changes in academic programs.

Since the Academy's revenue is heavily dependent on State funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to School Districts and Public School Academies. The State periodically holds revenue-estimating conferences to estimate what the State's available resources will be throughout the remainder of its fiscal year. In spite of the current economic uncertainties we remain cautiously confident that the State will find the resources to sufficiently fund current appropriations.

## CONTACTING THE ACADEMY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our students, parents and creditors with a general overview of the Academy's finances and to demonstrate the Academy's accountability for the money it receives. If you have questions about this report or need additional information, contact the Academy's office at 888 Enterprise Drive, Pontiac, Michigan.

## BASIC FINANCIAL STATEMENTS

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**Arts and Technology Academy of Pontiac**  
**Statement of Net Position**  
**June 30, 2022**

	Governmental Activities
<b>Assets</b>	
Cash	\$ 523,335
Accounts receivable	61,913
Due from other governmental units	1,620,767
Investments	1,314,708
Prepaid items	84,805
Right to use assets - net of amortization	71,152
Capital assets not being depreciated	400,000
Capital assets - net of accumulated depreciation	8,628,928
Total assets	12,705,608
<b>Liabilities</b>	
Accounts payable	142,130
State aid anticipation note payable	200,002
Accrued expenditures	917,948
Unearned revenue	413,392
Long-term liabilities	
Debt due within one year	287,321
Debt due in more than one year	10,032,156
Total liabilities	11,992,949
<b>Net Position</b>	
Net investment in capital assets	(606,329)
Restricted for	
Food service	44
Debt service	1,020,166
Unrestricted	298,778
Total net position	\$ 712,659

See Accompanying Notes to the Financial Statements

**Arts and Technology Academy of Pontiac**  
**Statement of Activities**  
**For the Year Ended June 30, 2022**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	
Governmental activities				
Instruction	\$ 4,577,301	\$ -	\$ 1,377,197	\$ (3,200,104)
Supporting services	3,855,540	38,876	1,624,386	(2,192,278)
Food services	462,799	10,507	332,853	(119,439)
Community services	154,717	-	-	(154,717)
Athletic activities	69,926	-	-	(69,926)
Interest on long-term debt	668,722	-	-	(668,722)
Total governmental activities	\$ 9,789,005	\$ 49,383	\$ 3,334,436	(6,405,186)
General revenues				
State aid - unrestricted				6,656,686
Interest and investment earnings				2,167
Other				22,540
Total general revenues				6,681,393
Change in net position				276,207
Net position - beginning				436,452
Net position - ending				\$ 712,659

See Accompanying Notes to the Financial Statements



**Arts and Technology Academy of Pontiac**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2022**

	Major Funds		Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Debt Service Fund		
<b>Assets</b>				
Cash	\$ 513,426	\$ -	\$ 9,909	\$ 523,335
Investments	-	1,280,266	34,442	1,314,708
Accounts receivable	61,913	-	-	61,913
Due from other funds	-	-	42,948	42,948
Due from other governmental units	1,620,767	-	-	1,620,767
Prepaid items	84,805	-	-	84,805
Total assets	<u>\$ 2,280,911</u>	<u>\$ 1,280,266</u>	<u>\$ 87,299</u>	<u>\$ 3,648,476</u>
<b>Liabilities and Fund Balance</b>				
<b>Liabilities</b>				
Accounts payable	\$ 142,130	\$ -	\$ -	\$ 142,130
State aid anticipation note payable	200,002	-	-	200,002
Due to other funds	41,838	-	1,110	42,948
Accrued expenditures	657,848	-	-	657,848
Unearned revenue	413,392	-	-	413,392
Total liabilities	<u>1,455,210</u>	<u>-</u>	<u>1,110</u>	<u>1,456,320</u>
<b>Fund Balances</b>				
Non-Spendable				
Prepaid items	84,805	-	-	84,805
Restricted for				
Food service	-	-	44	44
Debt service	-	1,280,266	-	1,280,266
Committed for				
Student activities	-	-	8,755	8,755
Assigned for capital projects	-	-	77,390	77,390
Unassigned	740,896	-	-	740,896
Total fund balances	<u>825,701</u>	<u>1,280,266</u>	<u>86,189</u>	<u>2,192,156</u>
Total liabilities and fund balances	<u>\$ 2,280,911</u>	<u>\$ 1,280,266</u>	<u>\$ 87,299</u>	<u>\$ 3,648,476</u>

See Accompanying Notes to the Financial Statements

**Arts and Technology Academy of Pontiac**  
**Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position**  
**June 30, 2022**

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<b>Total fund balances for governmental funds</b>	\$	2,192,156
Total net assets for governmental activities in the statement of net assets is different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Right to use assets - net of amortization		71,152
Capital assets not being depreciated		400,000
Capital assets - net of accumulated depreciation		8628928
Certain liabilities are not due and payable in the current period and are not reported in the funds.		
Accrued interest		(260,100)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly		
Bonds payable		(10,218,100)
Lease liability		(101,377)
		(101,377)
<b>Net position of governmental activities</b>	<b>\$</b>	<b><u>712,659</u></b>

**Arts and Technology Academy of Pontiac**  
**Governmental Funds**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**For the Year Ended June 30, 2022**

	Major Funds			Total Governmental Funds
	General Fund	Debt Service Fund	Nonmajor Governmental Funds	
<b>Revenues</b>				
Local sources	\$ 61,416	\$ 2,160	\$ 31,446	\$ 95,022
State sources	7,621,537	-	10,507	7,632,044
Federal sources	1,909,313	-	332,853	2,242,166
Interdistrict sources	95,980	-	-	95,980
	<u>9,688,246</u>	<u>2,160</u>	<u>374,806</u>	<u>10,065,212</u>
<b>Expenditures</b>				
Current				
Education				
Instruction	4,334,962	-	-	4,334,962
Supporting services	3,643,762	-	-	3,643,762
Food services	-	-	438,725	438,725
Community services	146,669	-	-	146,669
Athletic activities	69,926	-	-	69,926
Student activities	-	-	11,833	11,833
Capital outlay	690,685	-	4,462	695,147
Debt service				
Principal	78,899	205,000	-	283,899
Interest	8,619	657,366	-	665,985
	<u>8,973,522</u>	<u>862,366</u>	<u>455,020</u>	<u>10,290,908</u>
Excess (deficiency) of revenues over expenditures	<u>714,724</u>	<u>(860,206)</u>	<u>(80,214)</u>	<u>(225,696)</u>

See Accompanying Notes to the Financial Statements

**Arts and Technology Academy of Pontiac  
Governmental Funds  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
For the Year Ended June 30, 2022**

	Major Funds		Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Debt Service Fund		
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ -	\$ 870,736	\$ 58,375	\$ 929,111
Transfers out	(921,736)	(7,375)	-	(929,111)
Total other financing sources (uses)	(921,736)	863,361	58,375	-
Net change in fund balances	(207,012)	3,155	(21,839)	(225,696)
Fund balances - beginning	1,032,713	1,277,111	108,028	2,417,852
Fund balances - ending	<u>\$ 825,701</u>	<u>\$ 1,280,266</u>	<u>\$ 86,189</u>	<u>\$ 2,192,156</u>

See Accompanying Notes to the Financial Statements

**Arts and Technology Academy of Pontiac**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**of Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2022**

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<b>Net change in fund balances - Total governmental funds</b>	\$	(225,696)
<p>Total change in net assets reported for governmental activities in the statement of activities is different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation and amortization expense.</p>		
Depreciation and amortization expense		(469,942)
Capital outlay		690,683
<p>Expenses are recorded when incurred in the statement of activities.</p>		
Interest		4,100
<p>Bond and note proceeds and leases are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.</p>		
Repayments of long-term debt		283,899
Amortization of bond discount		(6,837)
<b>Change in net position of governmental activities</b>	<b>\$</b>	<b><u>276,207</u></b>

**Arts and Technology Academy of Pontiac**  
**Notes to the Financial Statements**  
**June 30, 2022**

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

The accounting policies of the Arts and Technology Academy of Pontiac (Academy) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the Academy's significant accounting policies:

**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.

On December 20, 2000, the Academy entered into a five-year contract with Bay Mills Community College to charter a public school academy. Subsequently, the contract was extended through June 30, 2023. 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 aid funds pursuant to the state constitution. The Bay Mills Community College Board of Trustees is the fiscal agent for the Academy and is responsible for overseeing the Academy's compliance with the contract and all applicable laws. The Academy pays the Bay Mills Community College Board of Trustees three percent of state aid foundation as administrative fees. The total administrative fee paid for the year ended June 30, 2022 was \$219,469.

The Academy is governed by a 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 Academy's reporting entity, and which organizations are legally separate component units of the Academy. The Academy has no component units.

**Academy-Wide Financial Statements**

The Academy's basic financial statements include both Academy-wide (reporting for the Academy as a whole) and fund financial statements (reporting the Academy's major funds). The Academy-wide financial statements categorize all nonfiduciary activities as either governmental or business type. All of the Academy'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 Academy'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 Academy's functions. The functions are also supported by general government revenues (certain intergovernmental revenues, investments and earnings, etc.). The statement of activities reduces gross expenses (including depreciation) 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 (state sources, interest income, etc.). The Academy does not allocate indirect costs. In creating the Academy-wide financial statements the Academy has eliminated interfund transactions.

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

**Arts and Technology Academy of Pontiac**  
**Notes to the Financial Statements**  
**June 30, 2022**

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**Fund Financial Statements**

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the Academy-wide financial statements. Major individual governmental funds are reported as separate columns in the 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 Academy considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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 Academy reports the following major governmental funds:

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

Debt Service Fund – Debt Service Fund is used to record other financing sources and the payment of interest principal and other expenditures on long-term debt.

Additionally, the Academy reports the following fund types:

Capital Projects Fund – The Building and Site Fund is used to record the bond proceeds or other revenue and the disbursements of invoices specifically for acquiring new Academy sites, building, equipment, and for remodeling and repairs. This fund is kept open until the purpose for which the fund was created has been accomplished.

Special Revenue Fund – Special Revenue Fund is used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The Academy's Special Revenue Fund includes the Food Service Fund and Student Activities Fund.

**Assets, Liabilities and Net Position or Fund Balance**

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.

The Academy considers all accounts receivable to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

Prepaid Items – Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both Academy-wide and fund financial statements.

Capital Assets – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The Academy defines capital assets as assets with an initial cost in excess of \$5,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The Academy does not have infrastructure assets.

**Arts and Technology Academy of Pontiac**  
**Notes to the Financial Statements**  
**June 30, 2022**

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Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and site improvements	10-50 years
Equipment and furniture	5-20 years

Long-term Obligations – In the Academy-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period.

In the Academy's fund financial statements, the face amount of the debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts are reported as other financing uses.

Fund Equity – 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 Chief Administrative Officer the authority to assign funds.

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 Academy'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 Academy'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 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.

**Eliminations and Reclassifications**

In the process of aggregating data for the statement of net position and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.



**Arts and Technology Academy of Pontiac**  
**Notes to the Financial Statements**  
**June 30, 2022**

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**Adoption of New Accounting Standards**

Statement No. 87, *Leases* increases the usefulness of the District's financial statements by requiring 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. A lessee will be required to recognize a lease liability and an intangible right-to-use a lease asset, and a lessor will be required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about the District's leasing activities.

Statement No. 99, *2022 Omnibus* enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

**Upcoming Accounting and Reporting Changes**

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. This statement is effective for the year ending June 30, 2023.

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, decision useful, understandable and comprehensive information for users about accounting changes and error 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 Academy 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 and Special Revenue Funds. 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 Academy to have its budget in place by July 1. The Academy is not considered in violation of the law

**Arts and Technology Academy of Pontiac**  
**Notes to the Financial Statements**  
**June 30, 2022**

if reasonable procedures are in use by the Academy to detect violations.

The Chief Administrative Officer is authorized to transfer budgeted amounts within functions in any fund; however, any revisions that alter the total expenditures of any 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. Individual amendments were not material in relation to the original appropriations which were amended.

**Excess of Expenditures over Appropriations**

During the year, the Academy incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated as follows:

Function	Final Budget	Amount of Expenditures	Budget Variances
General Fund			
Pupil	\$ 513,386	\$ 555,749	\$ 42,363
Instructional staff	91,003	99,634	8,631
General administration	983,537	994,102	10,565
Central	295,960	298,793	2,833
Debt - interest and fiscal charges	6,000	8,619	2,619

**Note 3 - Deposits and Investments**

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

	Governmental Activities
Cash	\$ 523,335
Investments	1,314,708
Total	<u>\$ 1,838,043</u>

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

Deposits (checking, savings accounts, money markets, certificates of deposit)	\$ 523,335
Investments in securities, mutual funds, and similar vehicles	<u>1,314,708</u>
Total	<u>\$ 1,838,043</u>

As of year end, the Academy had the following investments:

Investment	Fair Value	Maturities	Rating	Rating Organization
First American Government Obligation	<u>\$ 1,314,708</u>	8 days	Aaa-mf	Moody's

*Interest rate risk* – In accordance with its investment policy, the Academy manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than 24 months.

**Arts and Technology Academy of Pontiac**  
**Notes to the Financial Statements**  
**June 30, 2022**

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*Credit risk* – State statutes authorize the Academy to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan; the Academy 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 Academy's investment policy does not allow for an investment in any one issuer that is in excess of five percent of the Academy's total investments.

*Custodial credit risk – deposits* – In the case of deposits, this is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. The Academy does not have a deposit policy for custodial credit risk. As of year end, \$285,999 of the Academy's bank balance of \$535,999 was exposed to custodial credit risk.

*Custodial credit risk – investments* – For investments, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of year end, none of the Academy's investments were exposed to custodial credit risk.

**Note 4 - Fair Value measurements**

The Academy categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Academy has the following recurring fair value measurements as of June 30, 2022:

Amounts invested in First American Government Obligations Fund consists primarily of short-term U.S. government securities and repurchase agreements secured by U.S. Government securities. The amount of \$1,314,708 is valued using quoted market prices (Level 1 inputs).

**Arts and Technology Academy of Pontiac**  
**Notes to the Financial Statements**  
**June 30, 2022**

**Note 5 - Capital Assets**

A summary of the changes in governmental capital assets is as follows:

	Restated Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 400,000	\$ -	\$ -	\$ 400,000
Construction in progress	474,407	-	474,407	-
Total capital assets not being depreciated	<u>874,407</u>	<u>-</u>	<u>474,407</u>	<u>400,000</u>
Capital assets being depreciated				
Building	9,325,665	1,125,548	-	10,451,213
Site improvements	418,043	39,542	-	457,585
Equipment and furniture	1,133,005	-	-	1,133,005
Right to use asset - equipment	173,861	-	-	173,861
Total capital assets being depreciated	<u>11,050,574</u>	<u>1,165,090</u>	<u>-</u>	<u>12,215,664</u>
Less accumulated depreciation for				
Building	1,892,826	294,885	-	2,187,711
Site improvements	174,242	44,817	-	219,059
Equipment and furniture	978,574	27,531	-	1,006,105
Right to use asset - equipment	-	102,709	-	102,709
Total accumulated depreciation	<u>3,045,642</u>	<u>469,942</u>	<u>-</u>	<u>3,515,584</u>
Net capital assets being depreciated	<u>8,004,932</u>	<u>695,148</u>	<u>-</u>	<u>8,700,080</u>
Net capital assets	<u>\$ 8,879,339</u>	<u>\$ 695,148</u>	<u>\$ 474,407</u>	<u>\$ 9,100,080</u>
Total right to use leased assets				
Right to use assets, net of amortization	\$ 173,861	\$ (102,709)	\$ -	\$ 71,152
Capital assets				
Assets not being depreciated	874,407	-	474,407	400,000
Other capital assets, net of depreciation	<u>7,831,071</u>	<u>797,857</u>	<u>-</u>	<u>8,628,928</u>
Net capital assets	<u>\$ 8,879,339</u>	<u>\$ 695,148</u>	<u>\$ 474,407</u>	<u>\$ 9,100,080</u>

Depreciation and amortization of right to use assets expense were charged to activities as follows:

Governmental activities	
Instruction	\$ 237,875
Support services	199,945
Food services	24,074
Community services	<u>8,048</u>
Total governmental activities	<u>\$ 469,942</u>

**Note 6 - Interfund Receivable and Payable and Transfers**

Individual interfund receivable and payable balances at year end were:

Receivable Fund	Payable Fund	Amount
Nonmajor Governmental Funds	General Fund	\$ 41,838
Nonmajor Governmental Funds	Nonmajor Governmental Funds	<u>1,110</u>
		<u>\$ 42,948</u>

The outstanding balances between funds result mainly from the time lag between the dates that transactions are recorded in the accounting system and payments between funds are made.

**Arts and Technology Academy of Pontiac**  
**Notes to the Financial Statements**  
**June 30, 2022**

Management does not anticipate individual interfund balances to remain outstanding for periods in excess of one year. Interfund transfers consist of the following:

	Transfers Out		Total
	General Fund	Debt Service Fund	
<b>Transfers in</b>			
Nonmajor Governmental Funds	\$ -	\$ 7,375	\$ 7,375
Debt Service Fund	870,736	-	870,736
Nonmajor Governmental Funds	51,000	-	51,000
	<b>\$ 921,736</b>	<b>\$ 7,375</b>	<b>\$ 929,111</b>

Interfund transfers were made during the year between the general fund and the debt service fund to fund a reserve for future debt requirements, transfers between the debt service fund and capital projects fund were to cover future building needs, and transfers between the general fund and food service fund were to cover costs in excess of revenues.

**Note 7 - Leases Liability**

During the 2020 fiscal year, the Academy entered into a 5-year lease agreement as lessee for the use of copiers. An initial lease liability was recorded in the amount of \$70,050 during the current fiscal year. As of June 30, 2022, the value of the lease liability was \$49,198. The Academy is required to make annual principal and interest payments of \$25,219. The lease has an interest rate of 6.45%. The value of the right-to-use asset as of the end of the current fiscal year was \$70,050 and had accumulated amortization of \$36,039.

During the 2019 and 2020 fiscal year, the Academy entered into 4 separate 3-year lease agreement as lessee for the use of computer equipment. A total initial lease liability was recorded in the amount of \$103,811 during the current fiscal year. As of June 30, 2022, the total value of the lease liability was \$52,179. The Academy is required to make annual principal and interest payments of \$82,125. The leases have an interest rate of 4.5%. The value of the right-to-use assets as of the end of the current fiscal year was \$103,811 and had accumulated amortization of \$66,670.

Total future minimum lease payments for the leases are as follows:

	Principal	Interest
<b>Year ending June 30,</b>		
2023	\$ 67,321	\$ 4,236
2024	23,715	1,504
2025	10,341	167
	<b>\$ 101,377</b>	<b>\$ 5,907</b>

**Arts and Technology Academy of Pontiac**  
**Notes to the Financial Statements**  
**June 30, 2022**

**Note 8 - State Aid Anticipation Note**

The Academy issues state aid anticipation notes in advance of state aid collections, depositing the proceeds in the General Fund. These notes are necessary because the Academy receives state aid from October through the following August for its fiscal year ending June 30<sup>th</sup>. The Academy is required to pledge 100% of their state aid, October through August, or until the note is repaid, whichever is longer. The State has discretion to accelerate repayment terms if they have cause for concern. If the note is in default status, there is a penalty interest rate that may apply.

Short-term debt activity for the year was as follows:

	Beginning Balance	Proceeds	Repayments	Ending Balance
State aid anticipation note	\$ 181,819	\$ 1,100,000	\$ 1,081,817	\$ 200,002

**Note 9 - Long-Term Debt**

The Academy issues bonds, notes and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. Other long-term obligations may include compensated absences, claims and judgements, termination benefits, and certain risk liabilities. The State can withhold state aid if it has to make a bond payment on behalf of the Academy related to qualified bonds.

Long-term obligation activity is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Bonds and notes payable					
Limited Obligation Revenue Bond	\$ 10,750,000	\$ -	\$ 205,000	\$ 10,545,000	\$ 220,000
Discount on bonds	(333,737)	-	(6,837)	(326,900)	-
Total bonds payable	10,416,263	-	198,163	10,218,100	220,000
Other liabilities					
Leases	180,276	-	78,899	101,377	67,321
Total	<u>\$ 10,596,539</u>	<u>\$ -</u>	<u>\$ 277,062</u>	<u>\$ 10,319,477</u>	<u>\$ 287,321</u>

General obligation bonds payable at year end, consist of the following:

\$5,710,000 serial bond due in annual installments of \$130,000 to \$405,000 through May 2043, interest at 5.0% to 6.0%	\$ 5,065,000
\$5,865,000 serial bond due in annual installments of \$90,000 to \$445,000 through November 2046, interest at 5.0% to 6.0%	5,480,000
Total general obligation bonded debt	<u>\$ 10,545,000</u>

**Arts and Technology Academy of Pontiac**  
**Notes to the Financial Statements**  
**June 30, 2022**

Future principal and interest requirements for bonded debt are as follows:

Year Ending June 30,	Principal	Interest
2023	\$ 220,000	\$ 621,325
2024	230,000	609,875
2025	245,000	596,550
2026	255,000	582,350
2027	270,000	567,575
2028 - 2032	1,615,000	2,582,600
2033 - 2037	2,130,000	2,058,525
2038 - 2042	3,190,000	1,312,500
2043 - 2047	<u>2,390,000</u>	<u>395,100</u>
Total	<u>\$ 10,545,000</u>	<u>\$ 9,326,400</u>

The limited obligation revenue bonds are payable from the Debt Service Fund. As of year end, the fund had a balance of \$1,280,266 to pay this debt. Future debt and interest will be payable from State Aid payments.

Interest expenditures for the fiscal year in the General Fund and Debt Service Funds were \$8,619 and \$657,366, respectively.

**Debt Covenants**

As of the fiscal year ending June 30, 2022 the Academy was in compliance with the Days Cash on Hand and Debt Service Coverage Ratio Covenants under the Academy's 2016 Bonds.

**Note 10 - Risk Management**

The Academy is exposed to various risks of loss related to property loss, torts, and errors and omissions. The Academy has purchased commercial insurance for general liability, property and casualty. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in the past three fiscal years.

**Note 11 - 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 Academy expects such amounts, if any, to be immaterial. A separate report on federal compliance has been issued for the year June 30, 2022.

**Note 12 - Education Services Agreement**

The Academy operates under an Education Services Agreement with CS Partners, LLC (CSP) and CSP Management Inc. doing business as Partner Solutions (PS). Under the terms of this agreement, CSP provides a variety of services including management of operational areas, academic program support and compliance. The Academy is obligated to pay CSP nine percent of applicable revenues. Additionally, PS provides staffing for teachers, administrators and other individuals who provide educational programs at the Academy. The Academy is responsible for reimbursing PS for all costs incurred for providing staffing. The total fee for these management services amounted to approximately \$612,000 for the year ended June 30, 2022. As of June 30, 2022, \$39,627 was owed to CSP. The Academy also has \$617,284 accrued as of June 30, 2022 for July and August contracted employees which are paid as invoices are rendered.

**Arts and Technology Academy of Pontiac**  
**Notes to the Financial Statements**  
**June 30, 2022**

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**Note 13 - Change in Accounting Principle**

As indicated in Note 1, The Academy implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. GASB Statement No. 87 enhances the relevance and consistency of information of the Academy's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset. A lessor is required to recognize a lease receivable and a deferred inflow of resources. The 2021 financial statements include a prior period adjustment for the lease liability. This adjustment had no effect on the beginning net position of the governmental activities since the right of use assets equal the amount of the lease liability. The implementation had the following effect on net position as reported June 30, 2021:

	<u>Governmental Activities</u>
Net position at June 30, 2021	\$ 436,452
Adjustments:	
Net book value - leased asset	173,861
Lease liability	<u>(173,861)</u>
Net position at June 30, 2021	<u>\$ 436,452</u>



## REQUIRED SUPPLEMENTARY INFORMATION

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**Arts and Technology Academy of Pontiac**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule - General Fund**  
**For the Year Ended June 30, 2022**

	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
<b>Revenues</b>				
Local sources	\$ 112,500	\$ 56,000	\$ 61,416	\$ 5,416
State sources	7,646,245	8,018,799	7,621,537	(397,262)
Federal sources	1,416,084	2,161,556	1,909,313	(252,243)
Interdistrict sources	150,032	92,122	95,980	3,858
Total revenues	<u>9,324,861</u>	<u>10,328,477</u>	<u>9,688,246</u>	<u>(640,231)</u>
<b>Expenditures</b>				
Instruction				
Basic programs	2,979,976	3,993,376	3,536,170	(457,206)
Added needs	1,188,120	1,103,532	798,792	(304,740)
Supporting services				
Pupil	474,163	513,386	555,749	42,363
Instructional staff	176,262	91,003	99,634	8,631
General administration	897,952	983,537	994,102	10,565
School administration	477,731	530,641	514,760	(15,881)
Business	25,724	27,674	26,705	(969)
Operations and maintenance	1,115,455	1,059,513	1,044,502	(15,011)
Pupil transportation services	30,127	154,487	109,517	(44,970)
Central	223,984	295,960	298,793	2,833
Community services	136,958	163,450	146,669	(16,781)
Athletic activities	22,500	74,250	69,926	(4,324)
Capital outlay	412,000	706,555	690,685	(15,870)
Debt service				
Principal	181,000	79,000	78,899	(101)
Interest	-	6,000	8,619	2,619
Total expenditures	<u>8,341,952</u>	<u>9,782,364</u>	<u>8,973,522</u>	<u>(808,842)</u>
Excess of revenues over expenditures	<u>982,909</u>	<u>546,113</u>	<u>714,724</u>	<u>168,611</u>

**Arts and Technology Academy of Pontiac**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule - General Fund**  
**For the Year Ended June 30, 2022**

	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
<b>Other Financing Uses</b>				
Transfers out	\$ (972,013)	\$ (958,936)	\$ (921,736)	\$ 37,200
Net change in fund balances	10,896	(412,823)	(207,012)	205,811
Fund balances - beginning	1,032,713	1,032,713	1,032,713	-
Fund balances - ending	<u>\$ 1,043,609</u>	<u>\$ 619,890</u>	<u>\$ 825,701</u>	<u>\$ 205,811</u>

## OTHER SUPPLEMENTARY INFORMATION

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**Arts and Technology Academy of Pontiac**  
**Other Supplementary Information**  
**Nonmajor Governmental Funds**  
**Combining Balance Sheet**  
**June 30, 2022**

	Special Revenue Funds		Projects Fund	Total Nonmajor Governmental Funds
	Food Service	Student Activities Fund	Capital Projects	
<b>Assets</b>				
Cash	\$ 1,154	\$ 8,755	\$ -	\$ 9,909
Investments	-	-	34,442	34,442
Due from other funds	-	-	42,948	42,948
 Total assets	<u>\$ 1,154</u>	<u>\$ 8,755</u>	<u>\$ 77,390</u>	<u>\$ 87,299</u>
 <b>Liabilities and Fund Balance</b>				
<b>Liabilities</b>				
Due to other funds	\$ 1,110	\$ -	\$ -	\$ 1,110
 <b>Fund Balances</b>				
Restricted for				
Food service	44	-	-	44
Committed for				
Student activities	-	8,755	-	8,755
Assigned for				
Capital projects	-	-	77,390	77,390
 Total fund balances	<u>44</u>	<u>8,755</u>	<u>77,390</u>	<u>86,189</u>
 Total liabilities and fund balances	<u>\$ 1,154</u>	<u>\$ 8,755</u>	<u>\$ 77,390</u>	<u>\$ 87,299</u>

**Arts and Technology Academy of Pontiac**  
**Other Supplementary Information**  
**Nonmajor Governmental Funds**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**For the Year Ended June 30, 2022**

	Special Revenue Funds		Fund	Total Nonmajor Governmental Funds
	Food Service	Student Activities Fund	Capital Projects	
<b>Revenues</b>				
Local sources	\$ -	\$ 31,439	\$ 7	\$ 31,446
State sources	10,507	-	-	10,507
Federal sources	332,853	-	-	332,853
<b>Total revenues</b>	<u>343,360</u>	<u>31,439</u>	<u>7</u>	<u>374,806</u>
<b>Expenditures</b>				
Current				
Education				
Food services	438,725	-	-	438,725
Student activities	-	11,833	-	11,833
Capital outlay	-	-	4,462	4,462
<b>Total expenditures</b>	<u>438,725</u>	<u>11,833</u>	<u>4,462</u>	<u>455,020</u>
Excess (deficiency) of revenues over expenditures	<u>(95,365)</u>	<u>19,606</u>	<u>(4,455)</u>	<u>(80,214)</u>
<b>Other Financing Sources</b>				
Transfers in	51,000	-	7,375	58,375
<b>Net change in fund balances</b>	(44,365)	19,606	2,920	(21,839)
Fund balances (deficit) - beginning	44,409	(10,851)	74,470	108,028
Fund balances - ending	<u>\$ 44</u>	<u>\$ 8,755</u>	<u>\$ 77,390</u>	<u>\$ 86,189</u>