



October 6, 2020

Management and the Board of Directors  
Arts and Technology Academy of Pontiac  
Pontiac, MI

We have completed our audit of the financial statements of the governmental activities, each major fund, and aggregate remaining fund information of Arts and Technology Academy of Pontiac as of and for the year ended June 30, 2020, and have issued our report dated October 6, 2020. We are required to communicate certain matters to you in accordance with auditing standards generally accepted in the United States of America that are related to internal control and the audit.

Our communication includes the following appendices:

- I. Auditors' Communication of Significant Matters with Those Charged with Governance
- II. Matters for Management's Consideration

Matters for management's consideration are not required to be communicated but we believe are valuable for management.

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

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

*Yeo & Yeo, P.C.*  
Flint, Michigan

## Appendix I

### Auditors' Communication of Significant Matters with Those Charged with Governance

Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America, *Government Auditing Standards*, 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 February 26, 2020. Professional standards also require that we communicate to you the following information related to our audit.

#### Significant Audit Findings

##### 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 District are described in the footnotes of the financial statements. The Organization has adopted the following Governmental Accounting Standards Board Statements effective July 1, 2019:

- Statement No. 92, *Omnibus 2020* enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following: (1) The effective date of Statement No. 87, Leases, and Implementation Guide No. 2019-3, Leases, for interim financial reports (2) Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan. (3) The applicability of Statements No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, as amended, and No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, to reporting assets accumulated for postemployment benefits. (4) The applicability of certain requirements of Statement No. 84, Fiduciary Activities, to postemployment benefit arrangements. (5) Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition. (6) Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers. (7) Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature. (8) Terminology used to refer to derivative instruments.
- Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* provides a temporary relief to governments and other stakeholders in light of the COVID-19 pandemic and provides a postponement of certain GASB Statements.

We noted no transactions entered into by the Academy during the year where there is lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements 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. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the Academy's financial statements was:

- The useful lives of its capital assets. Useful lives are estimated based on the expected length of time during which the asset is able to deliver a given level of service.

We have 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 and free from bias.

The financial statement disclosures are neutral, consistent, and clear.

## **Accounting Standards and Regulatory Updates**

### **Accounting Standards**

The Governmental Accounting Standards Board has released additional Statements. Details regarding these Statements are described in Note 1 of the financial statements.

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

### **Regulatory and Other Updates**

#### **FER Extended Time Notification**

The 2019-20 Final Expenditure Report (FER) due date is November 29, 2020. This report should reconcile to the Single Audit Report and the LEA's financial records. LEAs should verify that the figures on the report are a true and accurate representation of expenditures for each project. LEAs experiencing extenuating circumstances will be allowed to request additional time for submission prior to November 21, 2020, to the Office of Educational Supports Financial Unit at [OFSFinancialUnit@michigan.gov](mailto:OFSFinancialUnit@michigan.gov). Extension time is available if needed, but will not exceed December 31, 2020. Your timely submission of these reports helps ensure carryover funds are available for program implementation for the current school year.

#### **District Guide to School-Level Expenditure Reporting Under the Every Student Succeeds Act (ESSA)**

The federal Every Student Succeeds Act (ESSA) contains a new requirement that all local public school districts (local education agencies and public school academies) publish actual per-pupil expenditures by individual school building. MDE has recently published a District Guide to School-Level Expenditure Reporting under the Every Student Succeeds Act to assist districts in communication planning around this data that will be posted on the Michigan School Data website no later than June 30, 2020. This guide is intended to support district-level personnel communicating with principals, educators, community members, and media on the reporting requirement and school-level spending information. Districts are encouraged to continue to scrutinize reporting results at the building level and use building codes when applicable to properly allocate expenses to avoid future questions resulting from this data being available to the public.

#### **Financial Accounting Guidance During the COVID-19 Pandemic**

Michigan Department of Education (MDE) has issued guidance about financial accounting for transactions related to the COVID19 pandemic, school closures, and implementation of a Continuity of Learning and COVID19 Response Plan. This guidance is updated regularly and can be found using this link: [https://www.michigan.gov/documents/mde/COVID-19\\_Accounting\\_Guidance\\_691616\\_7.pdf](https://www.michigan.gov/documents/mde/COVID-19_Accounting_Guidance_691616_7.pdf)

#### **FID Changes for 2020 and Beyond**

Expenditure object code requirements submitted through the FID will be changing. The system currently allows for two-digit detail. This is being changed to require three digits. The 2019-20 submission will generate warnings for data that doesn't comply with the three-digit detail. Take note of the warnings in order to correct them prior to the 2020-21 submission. If the data is not in compliance for the 2021 submission, error codes will be generated. The goal of this change is to potentially reduce or streamline other program specific reporting. There will also be a new error check to ensure that any buildings that have an enrollment greater than zero should have expenditures reported.

#### **ESSER and CARES Act Accounting**

As LEAs are recognizing Elementary and Secondary School Emergency Relief (ESSER) fund in revenues and expenditures, a new account code should be used. The new major class code of 414 should be used with a suffix of 0250. Expenditures should be reported under the new grant code 796. Most function codes are allowable, but the grant guidance should be referred to when determining

the allowable uses of funds. MDE's guidance on what the funds can be used for can be found in the guidance memo located at

[https://www.michigan.gov/documents/mde/ESSER\\_guidance\\_688430\\_7.pdf](https://www.michigan.gov/documents/mde/ESSER_guidance_688430_7.pdf)

### **Summer Food Service Program**

The school year ended with many LEAs experiencing changes to their food service distribution programs. With those changes in mind, we would like to encourage districts to make sure they have all the documentation in place to have successful administrative reviews. All new SFSP sponsors will be subject to a review. The focus of the administrative reviews will be on menus, production records, daily meal count sheets, and monthly claims. Keep in mind that the Unanticipated School Closure Summer Food Service Program meals ended June 30, 2020. Subsequent to this date, claims will be related to the Summer Food Service Program.

### **Special Education Compliance Information**

The excess cost requirement testing is being implemented for 2019-20 as a pilot test. This will be completed in fall of 2020. Due to the test being in the pilot phase, any districts that do not meet the requirement will be made aware for informational purposes only, and a formal violation will not be triggered at this time.

Maintenance of Effort includes a test for compliance and a test for eligibility. The compliance testing piece went live on March 17, 2020 for the 2018-19 period, it is anticipated that all 56 ISDs will meet compliance under at least one of the four methods to calculate. The 2020-21 eligibility testing went live on June 1, 2020. These tests are being conducted at the ISD level. It is important for all LEAs to verify they are submitting accurate information to the ISD in order to have accurate data in these calculations.

Starting in fiscal year 2021, the IDEA Flowthrough and Preschool funds will move from a 27-month grant application to 15-month grant application period. Any unspent funds will be carried over to the next grant award. Additionally, there will be no IFERs starting in fiscal year 2021. Final expenditure reports will be done in CMS and final district level expenditure reports will be done in MEGS+. Starting with fiscal year 2022, grant applications will be done in NexSys, the new grants management system. It will contain both grant applications and payments.

### **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 that the auditor accumulate all known and likely misstatements identified during the audit, other than those the auditor believes to be trivial. The adjustments identified during the audit have been communicated to management and management has posted all adjustments.

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.

There were no known uncorrected misstatements that were more than trivial.

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as 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 we had no such disagreements with management during the 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 Academy's financial statements or a determination of the type of auditor's 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 Academy'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*. Please read all information included in that report to ensure you are aware of relevant information.

## **Report on Required Supplementary Information**

With respect to the required supplementary information accompanying the financial statements, which includes management's discussion and analysis and budgetary comparison information, we 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 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.

## **Appendix II**

### **Matters for Management's Consideration**

In planning and performing our audit of the financial statements of Arts and Technology Academy of Pontiac as of and for the year ended June 30, 2020, we considered the Academy's internal control over financial reporting (internal control) as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control.

However, during our audit we became aware of a matters for management's consideration that is an opportunity for improving compliance. This letter does not affect our report dated October 6, 2020, on the financial statements of Arts and Technology Academy of Pontiac. Our comment and recommendation regarding that matter is:

#### **Food Service Fund Balance Deficit**

Historically, general fund covers costs when food service is at a loss. In this case, the food service deficit is due to timing and circumstances surrounding COVID-19. The Academy expended \$52,000 near year end to be covered by ESSER funds, however, they are unable to recognize the revenue until 2020-2021 fiscal year. Thus, deficit is temporary and will be corrected at beginning of next year when ESSER funds are recognized.