

Michigan Online School

Financial Statements

June 30, 2021



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Michigan Online School
Members of the Board of Directors and Administration
June 30, 2021

Members of the Board of Directors

Ellen McGahey – President

Jennifer Lengyel – Vice President

Patricia Hansen – Secretary

Kara Mounce - Treasurer

Administration

Stephanie Hargens - Superintendent



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Independent Auditors' Report

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

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, 2021, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Michigan Online School, as of June 30, 2021, 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.

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, 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 27, 2021 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 27, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

Michigan Online School Management's Discussion and Analysis For the Year Ended June 30, 2021

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, 2021. 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.

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.

**Michigan Online School
Management's Discussion and Analysis
For the Year Ended June 30, 2021**

- 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, 2021**

Financial Analysis of the School as a Whole

The net position of the School as of June 30, 2021, was \$444,136 Figure A-1 below shows a breakdown of the net position.

Figure A-1 Statement of Net Position		
	2021	2020
Assets		
Cash	\$ 745,909	\$ 329,359
Accounts receivable	17,079	0
Due from other governmental units	1,136,458	620,964
Prepaid items	<u>3,539</u>	<u>4,145</u>
Total Assets	<u>1,902,985</u>	<u>954,468</u>
Liabilities		
Accounts Payable	1,381,433	339,821
Unearned revenue	<u>77,416</u>	<u>52,079</u>
Total liabilities	<u>\$ 1,458,849</u>	<u>\$ 391,900</u>
Total Net Position	<u>\$ 444,136</u>	<u>\$ 562,568</u>

**Michigan Online School
Management's Discussion and Analysis
For the Year Ended June 30, 2021**

Comments on Major Changes to Net Position

The net position of the School decreased by \$118,432 during the 2020-21 year. Figure A- 2 on the following page 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 cost of the School's governmental activities for the year was \$5,893,253.

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

	2021	2020
Revenues	\$ 5,774,821	\$ 4,201,098
Expenses		
Instruction	3,328,878	1,299,987
Supporting services	2,522,295	2,858,387
Community Services	42,080	1,313
	<hr/>	<hr/>
Total Expenses	5,893,253	4,159,687
	<hr/>	<hr/>
Change in net position	(118,432)	41,411
Beginning Net Position	562,568	521,157
	<hr/>	<hr/>
Ending Net Position	<u>\$ 444,136</u>	<u>\$ 562,568</u>

**Michigan Online School
Management's Discussion and Analysis
For the Year Ended June 30, 2021**

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 equity decreased by \$118,432 during the 2020-21 year. The General Fund equity ended the year at \$444,136. The primary factors affecting the School's governmental funds' fund balance are listed below.

Factors Impacting Fund Equity

The School's final budget showed a fund equity decrease of \$207,959. The school deferred \$27,185 in budgeted At-Risk state revenue.

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 30% increase (\$1,774,102) in General Fund revenues from the original budget to the final budget.

- *State revenues* – The majority of this is due to increased enrollment.
- *Federal revenues* – Covid Relief Funds were not included in the original budget.

There was a 32% increase (\$1,982,061) in General Fund expenditures from the original budget to the final budget.

- This was due to increased enrollment during the school year and Covid Relief Funds.

Final budget to actual

- There was a 3.5% difference (\$-154,874) between the final revenue budget and the actual revenue. \$27,185 relates to deferral of At-Risk revenue. Most of the remainder of the difference, \$102,929, is due to section 25e from State funding.

**Michigan Online School
Management's Discussion and Analysis
For the Year Ended June 30, 2021**

- There was a 4% difference (\$-244,401) between the final expenditure budget and the actual expenditures. Instruction costs were \$182,308 lower than budgeted. The remaining portion is primarily from lower final expenses in support programming.

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.
- Beginning with the 2020-21 fiscal year, school management services will be provided by ACCEL Online Michigan, a subsidiary of ACCEL Schools, LLC.
- 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

Michigan Online School
Statement of Net Position
June 30, 2021

	<u>Governmental Activities</u>
Assets	
Cash	\$ 745,909
Accounts receivable	17,079
Due from other governmental units	1,136,458
Prepaid items	<u>3,539</u>
Total assets	<u>1,902,985</u>
Liabilities	
Accounts payable	1,381,433
Unearned revenue	<u>77,416</u>
Total liabilities	<u>1,458,849</u>
Net Position	
Unrestricted	<u><u>\$ 444,136</u></u>

See Accompanying Notes to the Financial Statements

Michigan Online School
Statement of Activities
For the Year Ended June 30, 2021

	<u>Expenses</u>	<u>Program Revenues</u> Operating Grants and Contributions	<u>Net (Expense) Revenue and Changes in Net Position</u>
Functions/Programs			
Governmental activities			
Instruction	\$ 3,352,818	\$ 1,296,034	\$ (2,056,784)
Supporting services	<u>2,540,435</u>	<u>350,485</u>	<u>(2,189,950)</u>
Total governmental activities	<u>\$ 5,893,253</u>	<u>\$ 1,646,519</u>	<u>(4,246,734)</u>
General revenues			
State aid - unrestricted			4,127,840
Interest and investment earnings			<u>462</u>
Total general revenues			<u>4,128,302</u>
Change in net position			(118,432)
Net position - beginning			<u>562,568</u>
Net position - ending			<u>\$ 444,136</u>

See Accompanying Notes to the Financial Statements

Michigan Online School
Governmental Funds
Balance Sheet
June 30, 2021

	<u>General Fund</u>
Assets	
Cash	\$ 745,909
Accounts receivable	17,079
Due from other governmental units	1,136,458
Prepaid items	<u>3,539</u>
Total assets	<u>\$ 1,902,985</u>
Liabilities	
Accounts payable	\$ 1,381,433
Unearned revenue	<u>77,416</u>
Total liabilities	<u>1,458,849</u>
Fund Balance	
Non-spendable	
Prepaid items	3,539
Unassigned	<u>440,597</u>
Total fund balance	<u>444,136</u>
Total liabilities and fund balance	<u>\$ 1,902,985</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, 2021

	General Fund
Revenues	
Local sources	\$ 462
State sources	5,346,413
Federal sources	427,946
Total revenues	5,774,821
Expenditures	
Current	
Education	
Instruction	3,328,878
Supporting services	2,522,295
Capital outlay	42,080
Total expenditures	5,893,253
Deficiency of revenues over expenditures	(118,432)
Fund balance - beginning	562,568
Fund balance - ending	\$ 444,136

See Accompanying Notes to the Financial Statements

Michigan Online School
Notes to the Financial Statements
June 30, 2021

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, 2022. 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 \$161,153.

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 of 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, 2021

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.

Inventories and Prepaid Items - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed, rather than when purchased.

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, 2021

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.

Upcoming Accounting and Reporting Changes

Statement No. 87, *Leases* increases the usefulness of the School'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 School's leasing activities. The requirements of this Statement are effective for the fiscal year ending June 30, 2022.

The School is evaluating the impact that the above pronouncement 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 did not have significant expenditure budget variances.

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	\$ 745,909

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

Deposits (checking and savings accounts)	<u>\$ 745,909</u>
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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.

Michigan Online School
Notes to the Financial Statements
June 30, 2021

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, \$505,509 of the School's bank balance of \$755,509 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	<u>\$ 77,416</u>
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Note 5 - Operating Leases

The School leases office space at a cost of \$24,000 annually. If the School's charter was revoked the lease would be cancelable two year after that date. The future minimum lease payments for the lease is as follows:

Year ending June 30,	
2022	\$ 24,000
2023	<u>10,000</u>
Total	<u>\$ 34,000</u>

Note 6 - 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 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 \$750,667 for the year ended June 30, 2021

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

Michigan Online School
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2021

	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
Revenues				
Local sources	\$ -	\$ 500	\$ 462	\$ (38)
State sources	3,878,623	5,474,107	5,346,413	(127,694)
Federal sources	276,970	455,088	427,946	(27,142)
Total revenues	<u>4,155,593</u>	<u>5,929,695</u>	<u>5,774,821</u>	<u>(154,874)</u>
Expenditures				
Instruction				
Basic programs	1,451,103	3,128,186	2,998,160	(130,026)
Added needs	100,646	383,000	330,718	(52,282)
Supporting services				
Pupil	649,401	555,087	538,825	(16,262)
Instructional staff	274,567	97,428	88,155	(9,273)
General administration	658,723	1,133,421	1,107,147	(26,274)
School administration	337,184	355,742	341,587	(14,155)
Business	231,537	90,497	91,961	1,464
Operations and maintenance	57,566	60,631	64,830	4,199
Pupil transportation services	250	241	-	(241)
Central	393,116	290,179	289,790	(389)
Community services	1,500	364	-	(364)
Capital outlay	-	42,878	42,080	(798)
Total expenditures	<u>4,155,593</u>	<u>6,137,654</u>	<u>5,893,253</u>	<u>(244,401)</u>
Deficiency of revenues over expenditures	-	(207,959)	(118,432)	89,527
Fund balance - beginning	<u>562,568</u>	<u>562,568</u>	<u>562,568</u>	<u>-</u>
Fund balance - ending	<u>\$ 562,568</u>	<u>\$ 354,609</u>	<u>\$ 444,136</u>	<u>\$ 89,527</u>

OTHER REPORT



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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 each major fund of Michigan Online School as of and for the year ended June 30, 2021, 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 27, 2021.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Yeo & Yeo, P.C.

Kalamazoo, Michigan
October 27, 2021

October 27, 2021

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

We have completed our audit of the financial statements of the governmental activities and the major fund of Michigan Online School as of and for the year ended June 30, 2021, and have issued our report dated October 27, 2021.

Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America, and *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 June 9, 2021. 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 and with 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 District are described in the footnotes of the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during the year.

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 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. There were no significant estimates in the financial statements.

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

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

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, and communicate them to the appropriate level of management. There were no known misstatements detected as a result of audit procedures that were more than trivial.

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 School'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 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*. Please read all information included in that report 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