



George Washington Carver Academy

Audited Financial Statements

June 30, 2014

Prepared by Taylor & Morgan, P.C.

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GEORGE WASHINGTON CARVER ACADEMY
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September 29, 2014

Board of Education
George Washington Carver Academy
Highland Park, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of George Washington Carver Academy as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessment, 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 estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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Opinions

In our opinion, 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 George Washington Carver Academy as of June 30, 2014 and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

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 on pages 4-8 and 25 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise George Washington Carver Academy's basic financial statements. The introductory section titled management's discussion and analysis and individual nonmajor fund financial statements are presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information 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 statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section titled management's discussion and analysis has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2014 on our consideration of George Washington Carver Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is 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 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 George Washington Carver Academy's internal control over financial reporting and compliance.

Sincerely,

Taylor & Morgan, P.C.

Taylor & Morgan, P.C.
Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS
(MD & A)

George Washington Carver Academy
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2014

This section of George Washington Carver Academy’s (the “Academy”) annual financial report presents our discussion and analysis of the Academy’s financial performance during the year ended June 30, 2014. Please read it in conjunction with the Academy’s financial statements, which immediately follow this section.

FINANCIAL POSITION AND RESULTS OF OPERATIONS

George Washington Carver Academy’s *net position* – the difference between assets and liabilities, as reported in the Statement of Net Position, is one way to measure the Public School Academy’s financial health, or *financial position*. Over time, *increases or decreases* in the Academy’s net position, as reported in the Statement of Activities, is one indicator of whether its *financial health* is improving or deteriorating. The relationship between revenues and expenses indicates the Academy’s *operating results*. However, the Academy’s goal is to provide services to its students, not to generate profits as commercial entities do. Many other non-financial factors, such as the quality of the education provided and the safety of the school must also be considered when assessing the *overall health* of the Academy.

George Washington Carver Academy’s net position totaled \$(300,169) at June 30, 2014. Of this amount, \$382,177 was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and legislation that limits the Academy’s ability to use that net position for day-to-day operations. The following table is a comparable summary of the Academy’s net position at June 30, 2014 and June 30, 2013 respectively:

	June 30, 2014	June 30, 2013
Assets		
Current assets	\$ 1,983,049	\$ 1,979,180
Capital assets net of depreciation	<u>4,301,391</u>	<u>4,411,199</u>
Total assets	6,284,440	6,390,379
Liabilities		
Current liabilities	834,608	883,764
Long-term liabilities	<u>5,750,000</u>	<u>5,920,000</u>
Total liabilities	6,584,608	6,803,764
Net Position		
Invested in capital assets, net of related debt	(1,776,476)	(1,829,880)
Restricted for Capital Projects	174,634	174,634
Restricted for Debt Service	919,496	919,496
Unrestricted	<u>382,177</u>	<u>322,365</u>
Total net position	<u>\$ (300,169)</u>	<u>\$ (413,385)</u>

George Washington Carver Academy
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2014

The \$382,177 in unrestricted net position of governmental activities represents Academy funds that have not been committed contractually or for debt obligations and are available for future use.

The net position increased \$113,216 in 2013-14. The reduction in spending was the main cause of the increase.

The results of this year's operations for George Washington Carver Academy as a whole are reported in the Statement of Activities. A summary of the Academy-wide results of operations for the years ended June 30, 2014 and June 30, 2013 are as follows:

	June 30, 2014	June 30, 2013
General revenue		
State of Michigan aid, unrestricted	\$ 2,822,328	\$ 3,058,224
Other – federal, state and local	<u>12,222</u>	<u>1,253</u>
Total general revenue	2,834,550	3,059,477
Program revenue		
Charges for services – local	-	-
Operating grants and contributions	<u>1,288,412</u>	<u>1,109,194</u>
Total revenues	4,122,962	4,168,671
Expenses		
Instruction	1,757,880	1,659,744
Support services	1,327,785	1,488,348
Community Services	3,000	1,707
Other Services	11,632	-
Food Services	313,025	341,383
Depreciation	118,398	117,273
Interest Expense	<u>478,026</u>	<u>496,304</u>
Total expenses	<u>4,009,746</u>	<u>4,104,759</u>
Increase/(Decrease) in net position	113,216	63,912
Net position – July 1	<u>(413,385)</u>	<u>(477,297)</u>
Net position – June 30	<u>\$ (300,169)</u>	<u>\$ (413,385)</u>

George Washington Carver Academy
 Management Discussion and Analysis
 For the Fiscal Year Ended June 30, 2014

GOVERNMENTAL FUNDS FINANCIAL HIGHLIGHTS

Our financial statements provide the following insights about the results of this year’s operations:

In the General Fund state source funding decreased by \$74,169. This was due to an overall decrease in the student enrollment.

The General Fund federal source funding increased by \$27,884. This increase is due to federal fund carryover.

MAJOR GOVERNMENTAL FUNDS BUDGETING AND OPERATING HIGHLIGHTS

George Washington Carver Academy’s budgets are prepared according to Michigan law and are initially adopted prior to July 1 of each year, before student enrollment counts are known. Therefore, it is expected that there will be changes between the initial budget and subsequent budgets, as actual enrollments and resultant staffing requirements are known. Currently, the most significant budgeted fund is the General Fund. During the fiscal year ending June 30, 2014, the Academy amended the budgets of these major governmental funds four times. Each amendment reflected a change in revenues and/or expenditures.

General Fund

In the general fund, the actual revenue was \$3,849,599. This is less than the final amended budgeted amount of \$3,934,019 with a variance of approximately 2%. The actual expenditures and transfers of the general fund were \$3,789,787. This is less than the final amended budgeted amount of \$3,934,019.

General Fund revenues totaled \$3,849,599 and the total of expenditures and other financing sources was \$3,789,787 for the 2013-2014 fiscal year. The net change in fund balance was \$59,812 at June 30, 2014 and the fund balance totaled \$382,177 at June 30, 2014.

GOVERNMENTAL FUND EXPENDITURES

The following chart illustrates that general fund comprises 76.6% of all the expenditures within the governmental funds of George Washington Carver Academy. As of June 30, 2014, expenditures totaled \$4,063,150 for all Academy programs. The ending fund balance for all funds was equal to \$1,476,307.

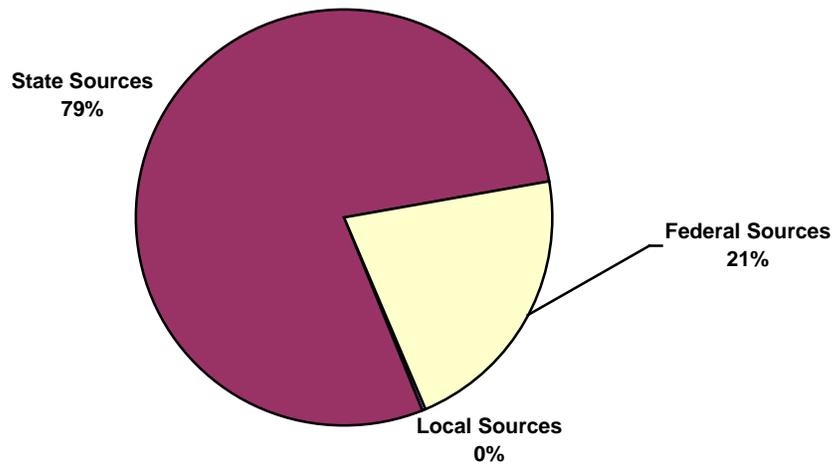
	June 30, 2014 <u>(In millions)</u>	<u>% Of TOTAL</u>
General Fund	\$3.11	76.60%
Debt Retirement Fund	.64	15.76%
Other Non-major Funds	<u>.31</u>	<u>7.64%</u>
Total	<u>\$4.06</u>	<u>100.00%</u>

George Washington Carver Academy
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2014

TOTAL REVENUES

Revenues for all governmental funds totaled \$4,122,962. The following graph illustrates George Washington Carver Academy revenues by source as a percentage of total revenue:

Revenues by Source



Unrestricted State Aid

The district's operating costs are predominately funded by State Aid, the amount of which has, in recent years, failed to keep pace with the rate of inflation. The per-pupil allowance was \$7,257 for the 2013-14 school year. State Aid membership was computed in 2013-14 with a blended count of 10% of the February and 90% of the September counts.

George Washington Carver Academy
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2014

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the 2012-2014 fiscal period, the Academy had \$6,960,449, invested in fixed assets. Of this amount, \$2,659,058 has been depreciated. Net book value totals \$4,301,391. During the 2013-2014 fiscal period there was computer equipment purchased totaling \$8,590.

CAPITAL ASSETS AT YEAR END
(NET OF DEPRECIATION)

	<u>Governmental Activities</u>
Land and Land Improvements	\$ 776,137
Buildings and Additions	3,511,847
Equipment and Furniture	<u>13,407</u>
Total	<u>\$4,301,391</u>

Debt

OUTSTANDING DEBT AT YEAR-END

As of June 30, 2014 the Academy has \$5,920,000 in debt outstanding, comprised of certificates of participation, bearing interest at rates between 8 percent and 8.125 percent per annum.

For more detailed information regarding capital assets and debt administration, please review the Notes to the Basic Financial Statements located in the financial section of this report.

CONTACTING THE SCHOOL ACADEMY'S FINANCIAL MANAGEMENT

This report is designed to give an overview of the financial conditions of George Washington Carver Academy. If you should desire additional detailed financial program audits, they can be obtained by contacting the following:

Business Office
George Washington Carver Academy
14510 Second Avenue
Highland Park, MI 48203
Telephone 313-865-6024

BASIC FINANCIAL STATEMENTS

GEORGE WASHINGTON CARVER ACADEMY
STATEMENT OF NET POSITION
JUNE 30, 2014

	Governmental Activities
Assets	
Cash, Cash Equivalents and Investments	\$ 1,267,587
Due from Other Governmental Units	709,521
Prepaid Expenses	941
Deposits	5,000
Capital Assets, Net of Depreciation	4,301,391
Total Assets	6,284,440
 Liabilities	
Accounts Payable	33,615
State Aid Notes Payable	136,221
Accrued Liabilities	320,798
Advances from Grantors	16,107
Accrued Interest on Long-Term Debt	157,867
Current Portion of Long-Term Debt	170,000
Noncurrent Liabilities:	
Non-Current Portion of Long-Term Obligations	5,750,000
Total Liabilities	6,584,608
 Net Position	
Invested in Capital Assets, Net of Related Debt	(1,776,476)
Restricted for:	
Capital Projects	174,634
Debt Service	919,496
Unrestricted	382,177
Total Net Position	\$ (300,169)

GEORGE WASHINGTON CARVER ACADEMY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Functions/Programs:				
Governmental Activities:				
Instruction	\$ 1,757,880	\$ -	\$ 1,011,157	\$ (746,723)
Support Services	1,327,785	-	3,892	(1,323,893)
Community Services	3,000	-	-	(3,000)
Other Services	11,632	-	-	(11,632)
Food Services	313,025	-	273,363	(39,662)
Interest on Long-Term Debt	478,026	-	-	(478,026)
Unallocated Depreciation	118,398	-	-	(118,398)
	<u>4,009,746</u>	<u>-</u>	<u>1,288,412</u>	<u>(2,721,334)</u>
General Purpose Revenues:				
				2,822,328
				<u>12,222</u>
				<u>2,834,550</u>
				113,216
				<u>(413,385)</u>
				<u>\$ (300,169)</u>

GEORGE WASHINGTON CARVER ACADEMY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	General Fund	Debt Retirement Fund	Capital Projects Fund	Non-Major Fund- School Lunch	Total Governmental Funds
Assets					
Cash, Cash Equivalents and Investments	\$ 107,514	\$ 920,151	\$ 239,922	\$ -	\$ 1,267,587
Due from Other Funds	65,943	-	-	11,612	77,555
Due from Other Governmental Units	709,521	-	-	-	709,521
Prepaid Expenses	941	-	-	-	941
Deposits	5,000	-	-	-	5,000
	<u>888,919</u>	<u>920,151</u>	<u>239,922</u>	<u>11,612</u>	<u>2,060,604</u>
Total Assets	\$ <u>888,919</u>	\$ <u>920,151</u>	\$ <u>239,922</u>	\$ <u>11,612</u>	\$ <u>2,060,604</u>
 Liabilities and Fund Balance					
Liabilities:					
Accounts Payable	\$ 21,208	\$ -	\$ -	\$ 11,612	\$ 32,820
State Aid Notes Payable	136,221	-	-	-	136,221
Due to Other Funds	12,408	655	65,288	-	78,351
Advances from Grantors	16,107	-	-	-	16,107
Accrued Liabilities	320,798	-	-	-	320,798
	<u>506,742</u>	<u>655</u>	<u>65,288</u>	<u>11,612</u>	<u>584,297</u>
Total Liabilities	506,742	655	65,288	11,612	584,297
Fund Balance:					
Non-Spendable	5,941	-	-	-	5,941
Restricted	-	919,496	174,634	-	1,094,130
Unassigned	376,236	-	-	-	376,236
	<u>382,177</u>	<u>919,496</u>	<u>174,634</u>	<u>-</u>	<u>1,476,307</u>
Total Fund Balance	382,177	919,496	174,634	-	1,476,307
 Total Liabilities and Fund Balance	 \$ <u>888,919</u>	 \$ <u>920,151</u>	 \$ <u>239,922</u>	 \$ <u>11,612</u>	 \$ <u>2,060,604</u>

GEORGE WASHINGTON CARVER ACADEMY
 RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
 TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
 JUNE 30, 2014

Total Governmental Fund Balances		\$ 1,476,307
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.</p>		
Cost of net assets	\$ 6,960,449	
Accumulated depreciation	<u>(2,659,058)</u>	4,301,391
<p>Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:</p>		
Participation Notes Payable	<u>(5,920,000)</u>	(5,920,000)
<p>In the statement of net assets, interest has been accrued on Long-term Debt as of June 30, 2014</p>		
		<u>(157,867)</u>
Total net position - governmental activities		\$ <u><u>(300,169)</u></u>

GEORGE WASHINGTON CARVER ACADEMY
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2014

	General Fund	Debt Retirement Fund	Non-Major Governmental Funds	Non-Major Fund- School Lunch	Total Governmental Funds
Revenues:					
Local Sources	\$ 12,222	\$ -	\$ -	\$ -	\$ 12,222
State Sources	3,232,631	-	-	1,250	3,233,881
Federal Sources	604,746	-	-	272,113	876,859
Total Revenues	3,849,599	-	-	273,363	4,122,962
Expenditures:					
Instruction:					
Basic Programs	1,152,371	-	-	-	1,152,371
Added Needs	605,509	-	-	-	605,509
Total Instruction	1,757,880	-	-	-	1,757,880
Support Services:					
Pupil Services	104,242	-	-	-	104,242
Instructional Staff	87,779	-	-	-	87,779
General Administration	198,947	-	-	-	198,947
School Administration	327,458	-	-	-	327,458
Business Services	173,250	-	-	-	173,250
Operation and Maintenance	344,166	-	-	-	344,166
Support Services	100,533	-	-	-	100,533
Other Services	8,945	-	-	-	8,945
Community Services	3,000	-	-	-	3,000
Welfare Activities	1,497	-	-	-	1,497
Capital Outlay	1,190	-	-	-	1,190
Debt Service:					
Principal	-	155,000	-	-	155,000
Interest and Fiscal Charges	-	486,238	-	-	486,238
Other Supporting Services	-	-	-	313,025	313,025
Total Support Services	1,351,007	641,238	-	313,025	2,305,270
Total Expenditures	3,108,887	641,238	-	313,025	4,063,150
Excess (Deficiency) of Revenues Over/(Under) Expenditures	740,712	(641,238)	-	(39,662)	59,812
Other Financing Sources/(Uses):					
Operating Transfers	(680,900)	641,238	-	39,662	-
Total Other Financing Sources/(Uses)	(680,900)	641,238	-	39,662	-
Net Changes in Fund Balances	59,812	-	-	-	59,812
Fund Balance - July 1	322,365	919,496	174,634	-	1,416,495
Fund Balance - June 30	\$ 382,177	\$ 919,496	\$ 174,634	\$ -	\$ 1,476,307

GEORGE WASHINGTON CARVER ACADEMY
 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, 2014

Total net change in fund balances - governmental funds	\$	59,812
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Amounts reported for governmental activities in the statement of activities are different because:

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 as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.

Capital Outlay	\$ 8,590		
Depreciation Expense	<u>(118,398)</u>		(109,808)

Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of repayments reported as expenditures in the governmental funds.

155,000

Interest on long-term debt in the statement of activities includes accrued interest while the governmental funds statement does not. The (increase)/decrease in accrued interest on long-term debt at June 30, 2014 was

8,212

Change in net position of governmental activities

\$ 113,216

GEORGE WASHINGTON CARVER ACADEMY
STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
JUNE 30, 2014

	<u>Agency Funds</u>
Assets	
Due from other funds	\$ <u>796</u>
Liabilities	
Due to student and other groups	\$ <u>796</u>
Total liabilities	\$ <u>796</u>

NOTES TO FINANCIAL STATEMENTS

GEORGE WASHINGTON CARVER ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Note 1 - Summary of Significant Accounting Policies

The accounting policies of George Washington Carver Academy conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant accounting policies:

Reporting Entity

The accompanying basic financial statements have been prepared in accordance with criteria established by the GASB for determining the various governmental organizations to be included in the reporting entity. These criteria include oversight responsibility, scope of public service, and special financing arrangements. Based on application of the criteria, the entity does not contain component units.

The Academy receives funding from local, state, federal and inter-district government sources and must comply with the accompanying requirements of these funding source entities. However, the Academy is not included in any other governmental "reporting entity" body that has separate legal standing and is fiscally independent of the governmental entities. As such, the Board of Education has decision-making authority to determine its budget, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.

Basic Financial Statements – Government-wide Statements

The Academy's basic financial statements include both government-wide (reporting the Academy as a whole) and fund financial statements (reporting the Academy's major funds). The government-wide financial statements categorize primary activities as either governmental or business type. All of the Academy's activities are classified as governmental activities. Fiduciary funds are not included in the government-wide financial statements.

In the government-wide Statement of Net Position, the governmental activities column is presented on a consolidated basis and is reported on a full-accrual economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Academy's net assets are reported in three parts: invested in capital assets net of related debt; restricted net assets; and unrestricted net assets. The Academy first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the Academy's functions. General government revenues (certain intergovernmental revenues, fines, permits and charges, etc.) also support the functions. The Statement of Activities reduces gross expenses by related program revenues, operating grants, and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary grants. The net costs by function are normally covered by general revenue (state and federal sources, interest income, etc.).

The Academy does not allocate indirect costs. Inter-fund transactions have been eliminated in the government-wide financial statements.

Basic Financial Statements - Fund Financial Statements

The accounts of the Academy are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the combined financial statements in this report, into four generic fund types in two broad fund categories as follows:

GEORGE WASHINGTON CARVER ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Note 1 - Summary of Significant Accounting Policies (continued)

Governmental Funds

Governmental funds are those funds through which most school Academy functions typically are financed. The acquisition, use, and balances of the Academy's expendable financial resources and the related current liabilities are accounted for through governmental funds.

General Fund - The General Fund is used to record the general operations of the Academy pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved current operating budget.

Special Revenue Funds - Special Revenue Funds are used to segregate the transactions of particular activities from regular revenue and expenditure accounts. The Academy maintains one special revenue fund, the School Lunch Fund, and has full control of this fund.

Debt Retirement Funds - The Debt Retirement Funds are used to record interest revenue and the payment of general long-term debt principal, interest and related cost. The Academy maintains a debt service fund for the repayment of the certificates of participation issued in 2003.

Capital Projects Funds - The Capital Projects Funds are used to record loan proceeds or other revenue and the disbursement of monies specifically designed for acquiring new school sites, buildings, equipment, and for major remodeling and repairs. The fund is retained until the purpose for which the fund was created has been accomplished.

Basis of Accounting/Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Accrual

Governmental activity in the government-wide financial statements is presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt are recognized when due.

Those revenues susceptible to accrual are state aid, interest revenue, grants and charges for services. Other revenue is recorded when received.

GEORGE WASHINGTON CARVER ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Note 1 - Summary of Significant Accounting Policies (continued)

Basis of Accounting/Measurement Focus (continued)

Modified Accrual (continued)

The Academy reports deferred revenue on its governmental funds balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when the Academy receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Cash, Cash Equivalents and Investments

Cash and cash equivalents include amounts in demand deposits, sweep accounts, and certificates of deposits with original maturities less than 180 days. The Academy reports its investments in accordance with Governmental Accounting Standards Board (GASB) Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools and No. 40 Deposits and Investment Risk Disclosures. Under these standards, certain investments are valued at fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Academy intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

State statutes authorize the Academy to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury, certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation (FDIC), Federal Savings and Loan Insurance Corporation (FSLIC), or National Credit Union Administration (NCUA), respectively; and in commercial paper rated at the time of purchase within the three highest classifications established by no less than two standard rating services and which matures not more than 270 days after the date of purchase. The Academy is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, mutual funds composed of investments outlined above, and investment pools, as authorized by the surplus funds investment pool act, Act. No. 367 of the Public Acts of 1982, being sections 129.11 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a school Academy.

Inventories - Items purchased for future use are recorded as inventory and charged to expenditure accounts when requisitioned for use. Food Service Fund inventory consists of food and paper goods recorded at cost, and commodity inventory recorded at fair market value as determined by the USDA.

Capital Assets – Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. The Academy has adopted a \$5,000 capitalization threshold for recording capital assets. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

GEORGE WASHINGTON CARVER ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Note 1 - Summary of Significant Accounting Policies (continued)

Capital Assets (continued)

Depreciation on all assets is computed on the straight-line basis over the estimated useful lives as follows:

Buildings and additions	20 – 50 years
Buses and other vehicles	5 – 10 years
Furniture and equipment	5 – 20 years

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Economic Dependency – The Academy receives approximately 78% of its operating revenue from the State of Michigan.

Note 2 - Budget and Budgetary Accounting

The State of Michigan adopted a Uniform Budgeting and Accounting Act (Act) applicable to all local governmental entities in the state. The law requires appropriation acts to be adopted for General and Special Revenue Funds and an informational study of Capital Project Funds of school Academies prior to the expenditure of monies in a fiscal year.

The Board of Education adopts appropriations utilizing the modified accrual basis of accounting for all governmental funds. The appropriation level adopted by the Board is the level of control authorized by the Act.

The Act requires expenditures to be budgeted on a functional basis. An Academy is not considered to be in violation of the Act if reasonable procedures are in use by the Academy to detect violations.

The Academy follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Academy's principal submits to the Board of Education a proposed budget by July 1 of each year. The budget includes proposed expenditures and the means of financing them.
2. The principal is authorized to transfer budgeted amounts between functions within any fund with the approval of the Budget and Finance Committee; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Education.
3. Budgets for the General, Capital Projects, and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles.
4. Budgeted amounts are as originally adopted, or as amended by the Board of Education throughout the year. Individual amendments were not material in relation to the original appropriations, which were amended.

GEORGE WASHINGTON CARVER ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Note 2 - Budget and Budgetary Accounting (continued)

5. Appropriations lapse at year-end and, therefore, cancel all encumbrances. These appropriations are reestablished at the beginning of the following year.

A comparison of actual results of operations to the budgeted amounts (at the level of control adopted by the Board of Education) for the General Fund is presented as required supplementary information.

Note 3 - Investments

At June 30, 2014 the Academy had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Percent of Total</u>
<u>Pooled U.S.Treasury Obligations</u>		
Capital Projects Fund	\$ 239,922	21%
Debt Retirement Fund	<u>920,151</u>	<u>79%</u>
TOTAL	<u>\$ 1,160,073</u>	<u>100%</u>

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The Academy's policy provides that to the extent practicable, investments are matched with anticipated cash flows. Investments are diversified to minimize the risk of loss resulting from over-concentration of assets in a specific maturity period, a single issuer, or an individual class of securities and are invested primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools.

Concentration of credit risk is the risk of loss attributed to the magnitude of the Academy's investment in a single issuer. Cumulatively, portfolios of the Academy may not be invested in any given financial institution in excess of 5% of such institution's total assets. Additionally, no more than 5% of the total Academy portfolio may be placed with any single financial institution with the exception of repurchase agreements. U.S. government securities and 2a7-like investment pools are excluded from these restrictions.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits this exposure by mandating that the Academy's investments in commercial paper and corporate bonds be limited to those with a prime rating or better issued by nationally recognized statistical rating organizations (NRSROs). At June 30, 2014, the Academy had no direct investments in commercial paper/corporate bonds.

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Academy's deposits may not be returned or the Academy will not be able to recover collateral securities, if any, in the possession of an outside party. At June 30, 2014, the Academy had none of its deposit balances uninsured and uncollateralized.

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty, the Academy will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. This risk is minimized by the Academy through limiting investments to those of a prime or better rating and pre-qualifying the financial institutions, brokers/dealers, intermediaries, and advisors.

GEORGE WASHINGTON CARVER ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Note 3 - Investments (continued)

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The Academy is not authorized to make investments that would be subject to this type of risk.

Note 4 - Changes in Capital Assets

Summary of capital asset transactions:

	Balance <u>July 1, 2013</u>	<u>Additions</u>	Disposals and <u>Adjustments</u>	Balance <u>June 30, 2014</u>
Land	\$ 776,137	\$ -	\$ -	\$ 776,137
Buildings & Additions	5,004,418	-	-	5,004,418
Equipment & Furniture	<u>1,171,304</u>	<u>8,590</u>	<u>-</u>	<u>1,179,894</u>
Subtotal	6,951,859	8,590	-	6,960,449
Accumulated Depreciation:				
Building & Additions	1,377,527	115,044	-	1,492,571
Equipment & Furniture	<u>1,163,133</u>	<u>3,354</u>	<u>-</u>	<u>1,166,487</u>
Subtotal	<u>2,540,660</u>	<u>118,398</u>	<u>-</u>	<u>2,659,058</u>
Net capital assets	<u>\$ 4,411,199</u>	<u>\$ 109,808</u>	<u>\$ -</u>	<u>\$ 4,301,391</u>

Depreciation expense, when appropriate, was allocated to governmental functions. Depreciation expense that was not allocated appears on the statement of activities as "unallocated." All of the depreciation was recorded on the statement of activities as "unallocated".

Note 5 - Long-Term Debt

The Academy's long-term liabilities consist of a \$7,100,000 certificate of participation note bearing interest at rates between 8 and 8.125 percent interest per annum and are secured by a mortgage on the Academy's facilities. The repayment of this obligation comes from a pledge of 20% of the Academy's State Aid which is deposited with U.S. Bank in trust for the Academy. The obligations for the certificates require semi-annual interest payments on March 1 and September 1. The note matures on August 26, 2030. Principal payments are due September 1, beginning in 2003.

GEORGE WASHINGTON CARVER ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Note 5 - Long-Term Debt (continued)

Summary of long-term debt transactions:

	<u>Certificates of Participation</u>
Balance July 1, 2013	\$ 6,075,000
Less: Payments	<u>(155,000)</u>
Balance June 30, 2014	5,920,000
Less: Current Portion	<u>(170,000)</u>
Total Due After One Year	<u>\$ 5,750,000</u>

The Certificates of participation are payable from the Debt Service Fund which is maintained at U.S. Bank. As of June 30, 2014, the Debt Service Fund had a balance of \$-919,496 available to pay this debt.

Future principal and interest requirements for long-term debt are as follows:

Year Ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 170,000	\$ 473,238	\$ 643,238
2016	185,000	459,038	644,038
2017	200,000	443,638	643,638
2018	215,000	427,038	642,038
2019	230,000	409,094	639,094
2020-2024	1,490,000	1,716,000	3,206,000
2025-2029	2,245,000	967,078	3,212,078
2030-2031	<u>1,185,000</u>	<u>98,109</u>	<u>1,283,109</u>
Total	<u>\$ 5,920,000</u>	<u>\$ 4,993,233</u>	<u>\$ 10,913,233</u>

Interest expenditures for 2013-2014 amounted to \$486,238.

Note 6 – Interfund Transactions

The Academy made the following interfund transfers during the year:

	<u>Transfers To Other Funds</u>	<u>Transfers From Other Funds</u>
General Fund	\$ 680,900	\$ -
Debt Service Fund	-	641,238
School Lunch Fund	-	39,662
	<u>\$ 680,900</u>	<u>\$ 680,900</u>

The transfers were for the purpose of funding the lunch program and required debt service of the Academy.

GEORGE WASHINGTON CARVER ACADEMY
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2014

Note 6 – Interfund Transactions (continued)

The composition of interfund balances is as follows:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 65,943	\$ 12,408
Debt Service Fund	-	655
Capital Projects Fund	-	65,288
School Lunch Fund	11,612	-
Agency Fund	<u>796</u>	<u>-</u>
Total	<u>\$ 78,351</u>	<u>\$ 78,351</u>

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transaction are recorded in the accounting system, and payments between funds are made.

Note 7 - Fund Balance

Non-spendable, Restricted, Committed, Assigned and Unassigned

The Board of Education adopts a budget each year that includes the appropriation of fund balance. Non-spendable fund balance represents assets that are not available in spendable form and are not expected to be converted to cash.

Non-spendable:

Deposits		\$ 5,000
Prepaid Expenses		<u>941</u>
Total Non-spendable		<u>\$ 5,941</u>

Restricted fund balance are reported separately to show legal constraints from debt covenants and legislation that limits the Academy's ability to use this fund balance for day-to-day operations.

Restricted:

Capital projects		\$ 174,634
Debt service		<u>919,496</u>
Total Restricted		<u>\$ 1,094,130</u>

Committed fund balance represents constrained amounts imposed by school board resolution. The Academy had no amounts committed at June 30, 2014.

Assigned fund balance represents amounts intended to be used for specific purposes expressed by the Board of Education, Finance Committee, or the official authorized by the governing body. Residual amounts in governmental funds other than the General Fund are also assigned. The Academy had no amounts assigned as of June 30, 2014.

Unassigned fund balance is reported only in the General Fund and represents the remaining fund balance after non-spendable, restrictions, and assignments have been made.

GEORGE WASHINGTON CARVER ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Note 7 - Fund Balance (continued)

The district applies restricted resources first for applicable expenditures. Assigned fund equity is applied when expenditures are incurred for the assigned purpose, followed by unassigned fund equity for budgeted expenditures.

Note 8 - Contingencies and Commitments

The Academy has received federal and state grants for specific purposes. These grants are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowance under terms of the grants, management believes that any required reimbursements would not be material.

Note 9 – Risk Management

The Academy is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation) as well as medical benefits provided to employees. The Academy purchases commercial insurance coverage to cover potential claims, and management believes this coverage is sufficient to protect the Academy from any significant adverse financial impact.

Note 10 – State Aid Anticipation Loan

The Academy was issued a State Aid Anticipation Loan through Michigan Finance Authority in the amount of \$757,000 on August 20, 2013. This loan has an interest rate of 2.8% maturing on August 20, 2014. Eleven monthly payments in the amount of \$69,940, beginning October 20, 2013 are required, with the final payment due on August 20, 2014. At June 30, 2014, there was a balance of \$136,221 plus accrued interest of \$3,660.

The Academy was issued a State Aid Anticipation Loan through Michigan Finance Authority in the amount of \$842,000 on August 20, 2014. This loan has an interest rate of 2.8% maturing on August 20, 2015. Eleven monthly payments in the amount of \$77,812, beginning October 21, 2014 are required, with the final payment due on August 20, 2014.

Note 11 – Subsequent Events

Management has reviewed subsequent events through September 29, 2014, which is the date the financial statements were available to be issued.

Note 12 – Merger with Northpointe Academy

On July 1, 2014, George Washington Carver Academy officially merged with Northpointe Academy. The combined organization will operate under the name George Washington Carver Academy.

REQUIRED SUPPLEMENTAL INFORMATION

GEORGE WASHINGTON CARVER ACADEMY
 REQUIRED SUPPLEMENTAL INFORMATION
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2014

	Budget			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Local Sources	\$ 1,630	\$ 12,730	\$ 12,222	\$ (508)
State Sources	3,296,117	3,247,469	3,232,631	(14,838)
Federal Sources	616,738	673,820	604,746	(69,074)
Total Revenues	3,914,485	3,934,019	3,849,599	(84,420)
Expenditures:				
Education:				
Instruction:				
Basic Programs	1,380,873	1,184,876	1,152,371	32,505
Added Needs	444,561	629,910	605,509	24,401
Supporting Services:				
Pupil Services	116,437	104,978	104,242	736
Instructional Staff	127,492	109,876	87,779	22,097
General Administration	219,494	222,587	198,947	23,640
School Administration	301,322	331,801	327,458	4,343
Business Services	174,220	173,922	173,250	672
Operations & Maintenance	389,995	349,114	344,166	4,948
Support Services	59,056	101,059	100,533	526
Other Services	-	10,035	8,945	1,090
Community Services	6,100	5,000	3,000	2,000
Welfare Activities	500	1,500	1,497	3
Capital Outlay	-	2,000	1,190	810
Total Expenditures	3,220,050	3,226,658	3,108,887	117,771
Excess (Deficiency) of Revenues Over Expenditures	694,435	707,361	740,712	33,351
Other Financing Sources/(Uses):				
Operating Transfers	(694,435)	(707,361)	(680,900)	26,461
Total Other Financing Sources/(Uses)	(694,435)	(707,361)	(680,900)	26,461
Net Change in Fund Balances	-	-	59,812	59,812
Fund Balance - July 1	322,365	322,365	322,365	-
Fund Balance - June 30	\$ 322,365	\$ 322,365	\$ 382,177	\$ 59,812

A-133 INFORMATION

INDEPENDENT AUDITOR'S 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

September 29, 2014

Board of Directors
George Washington Carver Academy
Highland Park, 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, each major fund, and the aggregate remaining fund information of George Washington Carver Academy as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise George Washington Carver Academy's basic financial statements, and have issued our report thereon dated September 29, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered George Washington Carver Academy's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of George Washington Carver Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of George Washington Carver Academy's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness* is a deficiency, or 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether George Washington Carver Academy's financial statements are free of 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 organizations' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Taylor & Morgan, P.C.

TAYLOR & MORGAN, P.C.
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

September 29, 2014

Board of Directors
George Washington Carver Academy
Highland Park, MI

Report on Compliance for Each Major Program

We have audited the compliance of George Washington Carver Academy with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of George Washington Carver Academy's major federal programs for the year ended June 30, 2014. George Washington Carver Academy's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of George Washington Carver Academy's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about George Washington Carver Academy's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of George Washington Carver Academy's compliance.

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Opinion on Each Major Federal Program

In our opinion, George Washington Carver Academy complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of George Washington Carver Academy is responsible for establishing and maintaining effective internal control over compliance with the types of requirements referred to above. In planning and performing our audit of compliance, we considered George Washington Carver Academy's internal control over compliance with types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133,, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of George Washington Carver Academy's internal control over compliance.

A deficiency in internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Taylor & Morgan, P.C.

TAYLOR & MORGAN, P.C.
Certified Public Accountants

GEORGE WASHINGTON CARVER ACADEMY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

<u>Program Title</u>	<u>CFDA Number</u>	<u>Federal Grant Number</u>	<u>Approved Award Amount</u>	<u>Prior-Year Expenditures</u>	<u>Accrued (Deferred) Revenue, July 1, 2013</u>	<u>Current Year Federal Expenditures</u>	<u>Current Year Cash Receipts</u>	<u>Accrued (Deferred) Revenue, June 30, 2014</u>
U.S. Department of Education:								
Passed through M.D.E.								
Title I, Part A	84.010	131530	\$ 485,512	\$ 342,890	\$ 89,771	\$ 83,487	\$ 173,258	-
Title I, Part A	84.010	141530	466,890	-	-	392,429	309,227	83,202
			<u>952,402</u>	<u>342,890</u>	<u>89,771</u>	<u>475,916</u>	<u>482,485</u>	<u>83,202</u>
Title II, Part A Teacher /Principal Training & Recruiting	84.367	130520	91,088	50,702	27,842	11,478	39,320	-
Title II, Part A Teacher /Principal Training & Recruiting	84.367	140520	75,772	-	-	42,464	28,019	14,445
			<u>166,860</u>	<u>50,702</u>	<u>27,842</u>	<u>53,942</u>	<u>67,339</u>	<u>14,445</u>
Total Passed through M.D.E.			1,119,262	393,592	117,613	529,858	549,824	97,647
Passed through Intermediate School District:								
IDEA Flowthrough	84.027	120450	84,368	46,402	18,798	-	18,798	-
IDEA Flowthrough	84.027	130450	71,618	8,434	13,952	49,232	63,184	-
IDEA Flowthrough	84.027	130450	55,726	-	-	25,656	18,134	7,522
Total Passed through Intermediate School District			<u>211,712</u>	<u>54,836</u>	<u>32,750</u>	<u>74,888</u>	<u>100,116</u>	<u>7,522</u>
Total U.S. Department of Education			1,330,974	448,428	150,363	604,746	649,940	105,169
U.S. Department of Agriculture:								
Passed through M.D.E.								
School Breakfast	10.553		101,774	-	-	101,774	96,877	4,897
School Lunch	10.555		166,979	-	-	166,979	159,083	7,896
			<u>268,753</u>	<u>-</u>	<u>-</u>	<u>268,753</u>	<u>255,960</u>	<u>12,793</u>
U.S.D.A. Food Distributions:								
Entitlement Commodities	10.550		3,360	-	-	3,360	3,360	-
Total U.S. Department of Agriculture			<u>272,113</u>	<u>-</u>	<u>-</u>	<u>272,113</u>	<u>259,320</u>	<u>12,793</u>
Total all Federal Agencies			<u>\$ 1,603,087</u>	<u>\$ 448,428</u>	<u>\$ 150,363</u>	<u>\$ 876,859</u>	<u>\$ 909,260</u>	<u>\$ 117,962</u>

GEORGE WASHINGTON CARVER ACADEMY
NOTES/RECONCILIATION TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

FEDERAL REVENUE RECOGNIZED PER SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	\$ <u>876,859</u>
FEDERAL REVENUE RECOGNIZED PER THE GENERAL PURPOSE FINANCIAL STATEMENTS	
General Fund	604,746
School Service Funds	<u>272,113</u>
TOTAL	\$ <u>876,859</u>

- 1) The Schedule of Expenditures of Federal Awards has been prepared under the modified accrual basis of accounting.

- 2) Management has utilized the Grant Auditor's Report in preparing the Schedule of Expenditures of Federal Awards. All differences between the Schedule of Expenditures of Federal Awards and the Grant Auditor's Report have been reconciled in the attached reconciliation on Page 35 of this report.

GEORGE WASHINGTON CARVER ACADEMY
RECONCILIATION OF THE GRANT AUDITOR'S REPORT TO THE SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

Current Payments Per the Grant Auditor's Report	\$ 805,784
<u>Add:</u> Grants Passed Through the Intermediate School District	100,116
Entitlement Commodities (CFDA 10.550)	<u>3,360</u>
 TOTAL CURRENT YEAR RECEIPTS PER SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	 \$ <u><u>909,260</u></u>

GEORGE WASHINGTON CARVER ACADEMY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2014

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: *Unmodified*

Internal control over financial reporting:

Material weakness(es) identified?	<i>No</i>
Significant deficiency(ies) identified that are not considered to be material weaknesses?	<i>No</i>
Noncompliance material to financial statements noted?	<i>No</i>

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	<i>No</i>
Significant deficiency(ies) identified that are not considered to be material weaknesses?	<i>No</i>
Audit findings required to be reported in accordance with sections 510(a) Circular 133?	<i>No</i>

Type of auditor's report issued on compliance for major programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? *No*

Identification of major programs:

CFDA Number(s) <i>84.010</i>	Name of Federal Program or Cluster <i>Title I, Part A</i>
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Dollar threshold used to distinguish between Type A and Type B programs: *\$300,000*

Auditee qualified as low-risk auditee? *No*

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None