

**HIGHLAND PARK PUBLIC SCHOOL
ACADEMY SYSTEM
DBA BARBER PREPARATORY ACADEMY**

**FINANCIAL REPORT
WITH
SUPPLEMENTAL INFORMATION**

JUNE 30, 2022

HIGHLAND PARK PUBLIC SCHOOL ACADEMY SYSTEM

DBA BARBER PREPARATORY ACADEMY

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Highland Park Public School Academy System
DBA Barber Preparatory Academy
Highland Park, Michigan

Opinions

We have audited the accompanying financial statements of the governmental activities and the major fund of Highland Park Public School Academy System DBA Barber Preparatory Academy (the Academy) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

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 the Academy, as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in government auditing standards issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Academy, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Independent Auditor's Report (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and government auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Academy's ability to continue as a going concern for a reasonable period of time.

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

**Independent Auditor's Report
(Continued)**

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 30, 2022 on our consideration of the Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of law, regulations, contracts, and 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 effectiveness of the Academy's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Academy's internal control over financial reporting and compliance.

Alan C. Young & Assoc.

Detroit Michigan
October 30, 2022

HIGHLAND PARK PUBLIC SCHOOL ACADEMY SYSTEM

DBA BARBER PREPARATORY ACADEMY

Management's Discussion and Analysis
June 30, 2022

As management of the Highland Park Public School Academy System DBA Barber Preparatory Academy (the Academy), we offer readers of the Academy's financial statements this narrative overview and analysis of the financial activities of the Academy for the fiscal year ended June 30, 2022. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

FINANCIAL HIGHLIGHTS

- The General Fund recorded \$3,606,459 in revenue, which primarily consisted of the State foundation grant and federal grants. There was \$3,079,633 in General Fund expenditures.
- The Academy continues to focus on improving its cash position. This is a focus of the administration and will continue to be targeted by striving to reduce expenses and seeking additional funding.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Academy's basic financial statements. The Academy's basic financial statements comprise three components: 1) academy-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements themselves.

Academy-wide Financial Statements. The academy-wide financial statements are designed to provide readers with a broad overview of the Academy's finances, in a manner similar to a private-sector business.

The statement of net position presents information, using the accrual basis of accounting, on all of the Academy's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Academy is improving or deteriorating.

The statement of activities presents information showing how the Academy's net position changed during the most recent fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Academy-wide financial statements outline functions of the Academy that are principally supported by State Aid and intergovernmental revenues (Federal grants). The governmental activities of the Academy primarily include instruction and support services. Fixed assets and related debt are supported by State Aid and intergovernmental revenues.

The Academy-wide financial statements can be found on pages 1 – 2 of this report.

HIGHLAND PARK PUBLIC SCHOOL ACADEMY SYSTEM

DBA BARBER PREPARATORY ACADEMY

Management's Discussion and Analysis (Continued)
June 30, 2022

OVERVIEW OF FINANCIAL STATEMENTS (Continued)

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Michigan public school districts utilizing Bulletin 1022. The Academy uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Academy can be divided into three categories: governmental, proprietary and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. All activities of the Academy are included in the governmental funds. The Academy does not maintain any proprietary or fiduciary funds.

The basic governmental fund financial statements can be found on pages 3 and 5 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the Academy-wide and fund financial statements. The notes to the financial statements can be found on pages 7 - 13 of this report.

ACADEMY-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the Academy, assets exceeded liabilities by \$2,135,764 as of June 30, 2022. This represents an increase in net position of \$405,939 from last year.

A portion of the Academy's net position reflects its investment in capital assets (e.g., leasehold improvements, furniture, and equipment) less any related debt used to acquire those assets that is still outstanding. The Academy uses these capital assets to provide services to its students; consequently, these assets are not available for future spending.

Net Position as of June 30, 2022 and 2021

The following shows a comparison of the Academy's net position as of June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Assets		
Current and Other Assets	\$ 2,652,228	\$ 1,855,715
Noncurrent Assets	173,636	237,920
Total Assets	<u>2,825,864</u>	<u>2,093,635</u>
Liabilities		
Current Liabilities	690,100	363,810
Total Liabilities	<u>690,100</u>	<u>363,810</u>
Net Assets		
Net Investment in Capital Assets	173,636	237,920
Unrestricted	1,962,128	1,491,905
Total Net Position	<u>\$ 2,135,764</u>	<u>\$ 1,729,825</u>

HIGHLAND PARK PUBLIC SCHOOL ACADEMY SYSTEM

DBA BARBER PREPARATORY ACADEMY

Management's Discussion and Analysis (Continued)
June 30, 2022

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Change in Net Position for the periods ending June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Program Revenues		
Federal Grants	\$ 735,880	\$ 925,470
State Categorical Grants	561,264	538,078
General Revenues		
State Aid - Unrestricted	2,245,603	2,427,460
Other	7,109	137,109
Total Revenues	<u>3,549,856</u>	<u>4,028,117</u>
Expenses		
Instruction	1,209,848	1,123,276
Support Services	1,796,800	1,980,290
Community Services	40,779	174
Depreciation	96,490	62,517
Total Expenses	<u>3,143,917</u>	<u>3,166,257</u>
Increase in Net Position	<u>\$ 405,939</u>	<u>\$ 861,860</u>

FINANCIAL ANALYSIS OF THE ACADEMY'S FUNDS

As the Academy completed its year, its governmental funds reported a fund balance of \$1,962,128, all of which was for the General Fund. The General Fund balance experienced an increase of \$526,826 over last year. The Academy will continue to follow the procedures put in place to ensure that each year the Academy improves its financial position in the midst of an uncertain economic environment.

General Fund Revenue

The majority of revenue was derived from state funding (79%) with federal funding making up 21% of total revenue. There was also local revenue and other revenue making up less than 1% of total revenue.

Expenditure Allocation

Basic Instruction accounted for \$911,032 (30%) of the general fund expenses. \$308,816 (10%) was spent on serving children with special needs. Pupil Support accounted for \$126,759 (4%) of the general fund expenses and instructional support expenditures were \$169,600 (6%). \$551,542 (18%) was expended on operations and maintenance and the remaining 32% was expended on school administration, and other central support services.

HIGHLAND PARK PUBLIC SCHOOL ACADEMY SYSTEM

DBA BARBER PREPARATORY ACADEMY

Management's Discussion and Analysis (Continued)
June 30, 2022

FINANCIAL ANALYSIS OF DISTRICT'S FUNDS (Continued)

Comments on Budget Comparisons

- The Academy's total general fund revenues for the fiscal year ended June 30, 2022 were approximately \$3.60 million.
- General fund budget compared to actual revenue varied slightly from line item to line item with the ending actual balance being \$1,060,862 less than the final budget.
- The total cost of all programs and services was approximately \$3.04 million.
- Over the course of the year, the Academy revises its budget as unexpected changes in revenues and expenditures arise. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the Academy's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements. Total expenditures were \$1,587,239 less than the final budget (34%).

CAPITAL ASSETS

Capital Assets

At the end of 2022, the Academy had \$173,636 (net of depreciation) invested in a broad range of capital assets. Total depreciation for the year was \$96,490

	<u>2022</u>	<u>2021</u>
Furniture and Equipment	\$ 173,636	\$ 237,920
Total	<u>\$ 173,636</u>	<u>\$ 237,920</u>

Economic Factors and Next Year's Budgets and Rates

The Academy considers many factors when setting the Academy's 2022-2023 fiscal year budgets. One of the most important factors affecting the budget is our student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2021-22 fiscal years is 90 percent of the current school year October count and 10 percent of the prior February count. The all-inclusive budget was adopted in June 2022 based on an enrollment estimate of 281 students in the Fall of 2022-23.

Under State law, the Academy cannot assess property taxes for additional revenue for general operations. As a result, the Academy is heavily dependent on the State's ability to fund school operations. Based on early enrollment data and aggressive recruiting efforts, the estimated fall count of 281 students is in line with the estimate used to create the budget. Current enrollment exceeded the budgeted fall count of 281 students.

HIGHLAND PARK PUBLIC SCHOOL ACADEMY SYSTEM DBA BARBER PREPARATORY ACADEMY

Management's Discussion and Analysis (Continued)
June 30, 2022

Economic Factors and Next Year's Budgets and Rates (Continued)

Once the final student count and related pupil funding are validated, State law requires the Academy to amend the budget if actual Academy resources are not sufficient to fund original appropriations. Since the Academy's revenue is heavily dependent on State funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenue to fund its appropriations to public schools and public school academies. The State periodically holds a revenue estimating conference to estimate revenues.

Contacting the Academy's Management

This financial report is designed to provide a general overview of the Academy's finances. If you have any questions about this report or need additional information, contact the Finance Department of Accel Schools Michigan LLC.

**HIGHLAND PARK PUBLIC SCHOOL ACADEMY SYSTEM
DBA BARBER PREPARATORY ACADEMY**

Statement of Net Position
June 30, 2022

	<u>Governmental Activities</u>
Assets	
Cash (Note 3)	\$ 1,634,704
Due From Other Governmental Units (Note 4)	1,017,324
Deposit	200
Capital Assets - Net (Note 5)	<u>173,636</u>
Total Assets	<u>2,825,864</u>
Liabilities	
Accounts Payable	14,770
Unearned Revenue (Note 4)	237,886
Accrued Liabilities	<u>437,444</u>
Total Liabilities	<u>690,100</u>
Net Position	
Net Investment in Capital Assets	173,636
Unrestricted	<u>1,962,128</u>
Total Net Position	<u><u>\$ 2,135,764</u></u>

The accompanying notes are an integral part of the financial statements.

HIGHLAND PARK PUBLIC SCHOOL ACADEMY SYSTEM

DBA BARBER PREPARATORY ACADEMY

Statement of Activities
June 30, 2022

Functions/Programs	Expenses	Program Revenue		Governmental Activities
		Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Primary Government-Governmental Activities				
Instruction	\$ 1,209,848	\$ -	\$ 541,498	\$ (668,350)
Support Services	1,796,800	-	755,646	(1,041,154)
Community Services	40,779	-	-	(40,779)
Depreciation (Unallocated)	96,490	-	-	(96,490)
Total Primary Government- Governmental Activities	3,143,917	-	1,297,144	(1,846,773)
General Revenues				
				2,245,603
State Aid not Restricted to Specific Purposes				7,109
Other				2,252,712
			Total General Revenues	
				405,939
				1,729,825
				1,729,825
				\$ 2,135,764

The accompanying notes are an integral part of the financial statements.

**HIGHLAND PARK PUBLIC SCHOOL ACADEMY SYSTEM
DBA BARBER PREPARATORY ACADEMY**

**Governmental Funds
Balance Sheet
June 30, 2022**

	General Fund
ASSETS	
Cash (Note 3)	\$ 1,634,704
Due From Other Governmental Units (Note 4)	1,017,324
Deposit	200
Total Assets	\$ 2,652,228
LIABILITIES AND FUND BALANCES	
Liabilities	
Accounts Payable	\$ 14,770
Unearned Revenue (Note 4)	237,886
Accrued Expenditures	437,444
Total Liabilities	690,100
Fund Balances	
Nonspendable	200
Unassigned	1,961,928
Total Fund Balances	1,962,128
Total Liabilities and Fund Balances	\$ 2,652,228

The accompanying notes are an integral part of the financial statements.

**HIGHLAND PARK PUBLIC SCHOOL ACADEMY SYSTEM
DBA BARBER PREPARATORY ACADEMY**

Reconciliation of the Balance Sheet of
Governmental Funds to the
Statement of Net Position
June 30, 2022

	<u>Amount</u>
Fund Balance - Total Governmental Funds	\$ 1,962,128
Amounts Reported for Governmental Activities in the Statement of Net Assets are Different because:	
Capital Assets Used in Governmental Activities are not Financial Resources and are not Reported in the Governmental Funds:	
The Cost of Capital Assets	968,819
Accumulated Depreciation	<u>(795,183)</u>
	<u>173,636</u>
Net Position - Governmental Activities	<u><u>\$ 2,135,764</u></u>

The accompanying notes are an integral part of the financial statements.

**HIGHLAND PARK PUBLIC SCHOOL ACADEMY SYSTEM
DBA BARBER PREPARATORY ACADEMY**

**Governmental Funds
Statement of Revenues, Expenditures and
Changes in Fund Balances
Year Ended June 30, 2022**

	General Fund
Revenue	
State Sources	\$ 2,863,470
Federal Sources	735,880
Local Sources	7,109
Total Revenue	3,606,459
Expenditures	
<u>Instruction</u>	
Basic Program	911,032
Added Needs	308,816
<u>Support Services</u>	
Pupil	126,759
Instructional Staff	169,600
General Administration	463,431
School Administration	232,176
Business	49,703
Operations and Maintenance	551,542
Pupil Transportation	126,195
Central	99,600
Community Services	40,779
Total Expenditures	3,079,633
Excess of Revenue Over Expenditures	526,826
Fund Balance - Beginning of Year	1,435,302
Fund Balance - End of Year	\$ 1,962,128

The accompanying notes are an integral part of the financial statements.

**HIGHLAND PARK PUBLIC SCHOOL ACADEMY SYSTEM
DBA BARBER PREPARATORY ACADEMY**

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

	<u>Amount</u>
Net Change in Fund Balance-Total Governmental Funds	\$ 526,826
<p>Amounts Reported for Governmental Activities in the Statement of Activities are Different because:</p>	
<p>Governmental Funds Report Capital Outlay as expenditures; in the statement of activities, these costs are capitalized and depreciated over their estimated useful lives as depreciation:</p>	
Depreciation Expense	(96,490)
Capitalized Capital Outlay	<u>32,206</u> (64,284)
Revenue is reported in the statement of activities at the time it is earned; without regards to timeliness of collection	<u>(56,603)</u>
Change in Net Position of Governmental Activities	<u><u>\$ 405,939</u></u>

The accompanying notes are an integral part of the financial statements.

HIGHLAND PARK PUBLIC SCHOOL ACADEMY SYSTEM

DBA BARBER PREPARATORY ACADEMY

Notes to Financial Statements
June 30, 2022

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Highland Park Public School Academy System, doing business as Barber Preparatory Academy, (the Academy) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant policies used by the Academy:

Reporting Entity

The Academy was formed as a charter school academy pursuant to the Michigan Revised School Code, 1976 AP 451, MCL 380.1 to 380.1853 and the Local Government and School District Fiscal Accountability Act, 2011 PA 4, MCL 141.1501 to 141.1531.

On July 27, 2012, the school board of the School District of the City of Highland Park, which was in receivership and under the supervision of an emergency manager, entered into a contract authorizing the Highland Park Public School Academy System DBA Barber Preparatory Academy as a public school academy through August 1, 2017. The contract has been renewed and shall remain in force and effective through June 30, 2024. The contract requires the Academy to act exclusively as a governmental entity and not undertake any actions inconsistent with its status as an entity authorized to receive state school aid funds pursuant to the State Constitution of 1963. The school board of the School District of the City of Highland Park is the fiscal agent for the Academy and is responsible for overseeing the Academy's compliance with the contract and all applicable laws. The Academy paid the school board of the School District of the City of Highland Park three percent of the state aid foundation allowance as an administrative fee. The total administrative fee for the year ended June 30, 2022 to the school board of the School District of the City of Highland Park was approximately \$77,000.

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 part of the Academy's reporting entity, and which organizations are legally separate component units of the Academy. Based on the application of the criteria, the Academy does not contain any component units.

Academy-wide and Fund Financial Statements

The Academy-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the primary government. The effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the Academy-wide activities are considered governmental activities.

HIGHLAND PARK PUBLIC SCHOOL ACADEMY SYSTEM

DBA BARBER PREPARATORY ACADEMY

Notes to Financial Statements (Continued)
June 30, 2022

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Academy-wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Academy-wide Financial Statements - The Academy-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants, categorical aid, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of inter-fund activity has been eliminated from the Academy-wide financial statements.

When an expense is incurred for purposes for which both restricted and unrestricted net position and fund balance are available, the Academy's policy is to first apply restricted resources. When an expense is incurred for purposes which amounts in any of the unrestricted fund balance classifications could be used, it is the Academy's policy to spend funds in this order: committed, assigned and unassigned.

Amounts reported as program revenue include (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all unrestricted State aid.

Fund Financial Statements – Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Academy considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

HIGHLAND PARK PUBLIC SCHOOL ACADEMY SYSTEM

DBA BARBER PREPARATORY ACADEMY

Notes to Financial Statements (Continued)
June 30, 2022

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Fund Financial Statements (Continued) - Unrestricted State aid and intergovernmental grants, 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 Academy.

The Academy reports one major governmental fund, the general fund:

General Fund - The General Fund is the Academy's primary operating fund it accounts for all financial resources of the Academy, except those required to be accounted for in another fund.

Assets, Liabilities, and Net Position or Equity

Cash and Cash Equivalents – Cash includes demand deposits. The Academy considers all short-term investments with a maturity of three months or less when acquired to be a cash equivalent.

Receivables and Payables – Receivables are shown net of an allowance for uncollectible amounts. The Academy considers all receivables to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

Capital Assets – Capital assets, which include leasehold improvements and furniture and equipment, are reported in the applicable governmental column in the Academy-wide financial statements. Capital assets are defined by the Academy as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized. The Academy does not have infrastructure-type assets.

Leasehold improvements and Furniture and equipment are depreciated using the straight-line method over the following useful lives:

Leasehold Improvements	Life of Lease
Furniture and Equipment	3-7 years

Inventories – Inventories are valued at cost, on a first-in, first-out basis. Inventories are recorded as expenditures when consumed rather than when purchased.

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

HIGHLAND PARK PUBLIC SCHOOL ACADEMY SYSTEM

DBA BARBER PREPARATORY ACADEMY

Notes to Financial Statements (Continued)
June 30, 2022

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, and Net Position or Equity (Continued)

Fund Balance – In the fund financial statements, governmental funds report the following components of fund balance:

Nonspendable – Amounts that are not in spendable form or are legally or contractually required to be maintained intact.

Restricted – Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use of a specific purpose.

Committed – Amounts that have been formally set aside by the Board of Directors for use for specific purposes. Commitments are made and can be rescinded only via resolution of the Board of Directors.

Assigned – Intent to spend resources on specific purposes expressed by the Board of Directors or director of budget and finance, who is authorized by resolution, and approved by the Board of Directors to make assignments.

Unassigned – Amounts that do not fall into any other category above. This is the residual classification for amounts in the General Fund and represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes in the General Fund.

Net Position – Net position of the Academy is classified in three components. Net Investment in capital assets consists of capital assets net of accumulated depreciation and is reduced by the current balances of any outstanding borrowings used to finance the purchase of those assets. Restricted net position is further classified as expendable and nonexpendable. The Academy did not have any expendable restricted net position during the year. Unrestricted net position is the remaining net position that does not meet the definition of invested in capital assets or restricted.

Deferred Outflows of Resources – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. The Academy has no deferred outflows of resources at year-end.

Deferred Inflows of Resources – The statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The academy had no deferred inflows at June 30, 2022.

HIGHLAND PARK PUBLIC SCHOOL ACADEMY SYSTEM

DBA BARBER PREPARATORY ACADEMY

Notes to Financial Statements (Continued)
June 30, 2022

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, and Net Position or Equity (Continued)

Comparative Data – Comparative data is not included in the Academy's financial statements.

Use of Estimates – The presentation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. This will affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statement, and the reported revenues and expenses during the reporting period. Actual results could differ from these estimates.

Adoption of New Accounting Pronouncement – In June 2017, the GASB issued Statement No. 87, Leases, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that were previously 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. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The Academy had no leases required to be recognized at June 30, 2022.

2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles and State law for the General Fund. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function, with the exception that capital outlay is budgeted within the related functions. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the Academy to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year. During the year, the budget was amended in a legally permissible manner. The Academy adjusted budgeted amounts during the year in response to actual and projected activity. The Academy exceeded their budget for general administration by \$299,661. In total, actual expenditures were \$1,587,239 below the final amended budget.

Grants – Amounts received or receivable from grantor agencies are subject to audit and adjustment by the grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, would become a liability of the General Fund. In the Academy's opinion, any disallowed claims will not have a material effect on the financial statements as of and for the year June 30, 2022.

HIGHLAND PARK PUBLIC SCHOOL ACADEMY SYSTEM

DBA BARBER PREPARATORY ACADEMY

Notes to Financial Statements (Continued)
June 30, 2022

3) DEPOSITS AND INVESTMENTS

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

The Academy has designated one bank for the deposit of its funds.

The Academy's deposits consist solely of checking and/or savings accounts at a local bank; therefore, the Academy has not adopted a formal investment policy.

Custodial Credit Risk of Bank Deposit – Custodial credit risk is the risk that, in the event of a bank failure, the Academy's deposit may not be refunded to it. The Academy's deposit policy requires that financial institutions be evaluated and only those with an acceptable risk level for custodial credit risk be used for the Academy's deposit. At June 30, 2022, the Academy had a deposit balance of \$1,762,803, of which \$1,512,803 was uninsured.

4) DUE FROM GOVERNMENTAL UNITS AND UNEARNED REVENUE

Due from Governmental Units at June 30, 2022 total \$1,017,324 and consist of state school aid due from the State of Michigan and grant payments from the federal government. There are no applicable allowances for uncollectible accounts.

Governmental funds defer revenue recognition in connection with resources that have been received but not yet earned. At June 30, 2022, the Academy had \$237,886 in unearned revenue.

5) CAPITAL ASSETS

Capital assets activity of the Academy's governmental activities was as follows:

	Balance		Balance
	July 1, 2021	Additions	June 30, 2022
Capital Assets			
Leasehold Improvements	\$ 548,483	\$ -	\$ 548,483
Furniture and Equipment	388,130	32,206	420,336
Subtotal	<u>936,613</u>	<u>32,206</u>	<u>968,819</u>
Accumulated Depreciation			
Leasehold Improvements	534,845	13,638	548,483
Furniture and Equipment	163,848	82,852	246,700
Subtotal	<u>698,693</u>	<u>96,490</u>	<u>795,183</u>
	<u>\$ 237,920</u>	<u>\$ (64,284)</u>	<u>\$ 173,636</u>

Depreciation on the capital assets is unallocated in the Statement of Activities.

HIGHLAND PARK PUBLIC SCHOOL ACADEMY SYSTEM

DBA BARBER PREPARATORY ACADEMY

Notes to Financial Statements (Continued)
June 30, 2022

6) LEASES

The Academy leases its School building from the School District of the City of Highland Park. The lease was entered into on July 1, 2019 and is coterminous with the term of the charter contract that expires on June 30, 2024. The lease is cancelable in the event of the charter contract between the Academy and School District of the City of Highland Park being terminated. The Annual rent for the year 2021-2022 was calculated as 4 percent of total state aid revenue received by the Academy. Rent expense for the year was \$102,056. Since this is a variable term lease with no fixed component, the requirements under GASB 87 of a lessee to record a right-to-use asset and a lease liability are not applicable and therefore not recorded on the statement of net position.

The Academy leases equipment under non-cancelable operating leases. Total costs for such leases were approximately \$23,206 for the current year and the term ended on January 1, 2022.

7) MANAGEMENT COMPANY

The Academy has entered into a management agreement with Accel Schools Michigan LLC effective through June 30, 2022. The management company is responsible for all of the management, operation, administration, and education at the Academy. The Academy subcontracts all employees from the management company and reimburses the management company for operating costs. The contract provides that the Academy shall pay the management company an annual fee of 10% of the State school aid the Academy receives directly or indirectly from the State of Michigan.

Compensation for the year ended June 30, 2022 was \$316,611.

8) RISK MANAGEMENT

The Academy is exposed to various risks of loss related to general liability. Commercial insurance policies to cover certain risks of loss have been obtained. Claims did not exceed coverage less retained risk deductible amounts since the Academy's inception in July 2012. Coverage relating to workers' compensation and medical benefits is provided through the management company.

9) SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 30, 2022, the date the financial statements were available to be issued. No items were noted requiring disclosure in this report.

REQUIRED SUPPLEMENTAL INFORMATION

HIGHLAND PARK PUBLIC SCHOOL ACADEMY SYSTEM
DBA BARBER PREPARATORY ACADEMY

Required Supplemental Information
Budgetary Comparison Schedule-General Fund
Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Revenue				
State Sources	\$ 3,055,923	\$ 3,112,040	\$ 2,863,470	\$ (248,570)
Federal Sources	1,302,479	1,460,281	735,880	(724,401)
Other Sources	95,000	95,000	7,109	(87,891)
Total Revenue	4,453,402	4,667,321	3,606,459	(1,060,862)
Expenditures				
<u>Instruction</u>				
Basic Program	1,674,367	1,762,367	911,032	(851,335)
Added Needs	386,320	403,320	308,816	(94,504)
<u>Support Services</u>				
Pupil	291,574	294,484	126,759	(167,725)
Instructional Staff	352,265	363,265	169,600	(193,665)
General Administration	123,770	163,770	463,431	299,661
School Administration	274,400	274,400	232,176	(42,224)
Business	343,050	343,050	49,703	(293,347)
Operations and Maintenance	617,786	623,964	551,542	(72,422)
Pupil Transportation	164,950	164,950	126,195	(38,755)
Central	168,350	199,350	99,600	(99,750)
Total Support & Instructional Services	4,396,832	4,592,920	3,038,854	(1,554,066)
Capital Outlay	32,500	32,500	-	(32,500)
Community Services	23,952	41,452	40,779	(673)
Total Expenditures	4,453,284	4,666,872	3,079,633	(1,587,239)
Net Changes in Fund Balances	118	449	526,826	526,377
Fund Balances - July 1, 2021			1,435,302	
Fund Balances - June 30, 2022			\$ 1,962,128	