

FLEX HIGH SCHOOL OF PONTIAC

REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)

JUNE 30, 2023

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October 25, 2023

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Flex High School of Pontiac

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, and the major fund of Flex High School of Pontiac, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District'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 Flex High School of Pontiac, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof 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 Flex High School of Pontiac and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As discussed in Note 11 to the financial statements, in 2023 the District adopted new accounting guidance, GASB Statement No. 96, *Subscription-based IT Arrangements*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Flex High School of Pontiac'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.

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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 Flex High School of Pontiac's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Flex High School of Pontiac's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2023, on our consideration of the Flex High School of Pontiac's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Flex High School of Pontiac's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Flex High School of Pontiac's internal control over financial reporting and compliance.

Lewis & Knopf, P.C.

LEWIS & KNOPF, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

FLEX HIGH SCHOOL OF PONTIAC
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023

As management of Flex High School of Pontiac, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2023.

Financial Highlights

- * The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$125,284 (net position).
- * The District's total net position increased by \$16,930.
- * The General Fund had an increase in fund balance of \$28,032. At the end of the year, the total fund balance for the General Fund was \$88,374.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the District financially as a whole. The District-Wide Financial Statements provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. The financial statements then proceed to provide an increasingly detailed look at specific financial activities included in the fund financial statements. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements provide information about the District's most significant fund - the General Fund.

Reporting the District as a Whole

The Statement of Net Position and Statement of Activities - One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of the year's activities?" The statement of net position and the statement of activities, which appear first in the District's financial statements, report information about the District as a whole and about its activities in a manner that helps to answer this question. These statements include all assets and liabilities of the District using the accrual basis of accounting, which is similar to the accounting used by private-sector corporations. However, the District's goal is to provide services to our students, not to generate profits as private-sector corporations do. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

The statement of net position and the statement of activities present information about the following:

Governmental Activities - All of the District's basic services are considered to be governmental activities, including instruction, support services, community services and food services. Intergovernmental revenues (unrestricted and restricted State Aid), federal grants finance most of these activities. These two statements report the District's net position and changes therein. The change in net position provides the reader a tool to assist in determining whether the District's financial health is improving or deteriorating. The reader will need to consider other nonfinancial factors such as property tax base, political conditions at the State Capitol, student enrollment growth, birth rates, and facility conditions in arriving at their conclusion regarding the overall health of the District.

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

FLEX HIGH SCHOOL OF PONTIAC
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023

Reporting the District's Most Significant Funds

Fund Financial Statements - The fund financial statements provide detailed information about the most significant funds - not the District as a whole. The fund financial statements begin on page 3 and provide detailed information about the most significant funds. The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual." The District's two types of funds: governmental funds and fiduciary funds use different accounting approaches as further discussed in the notes to the financial statements. In the fund financial statements, capital assets purchased by cash are reported as expenditures in the year of acquisition. No asset is reported.

Governmental Funds - Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or less financial resources available to spend in the near future to finance the District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net position and the Statement of Activities) and governmental funds is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 3 and 5 of this report.

Additional Information - The notes to financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found on pages 7 - 17 of this report.

SUMMARY OF NET POSITION:

The following table provides a summary of the District's net position as of June 30, 2023, and 2022.

<u>NET POSITION SUMMARY</u>		
	2023	As Restated 2022 *
<u>ASSETS</u>		
Other Assets	\$880,941	\$207,658
Capital Assets	112,679	194,619
<u>TOTAL ASSETS</u>	<u>\$993,620</u>	<u>\$402,277</u>
<u>LIABILITIES</u>		
Other Liabilities	792,567	147,316
Long-Term Liabilities	75,769	146,607
Total Liabilities	\$868,336	\$293,923
<u>NET POSITION</u>		
Net Investment in Capital Assets	36,910	48,012
Unrestricted	88,374	60,342
<u>TOTAL NET POSITION</u>	<u>\$125,284</u>	<u>\$108,354</u>
* The 2022 figures have not been updated for the adoption of GASB 96.		

The above analysis focuses on the net position. The change in net position of the District's governmental activities is discussed below. The net position differs from fund balances and a reconciliation appears on page 4.

FLEX HIGH SCHOOL OF PONTIAC
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023

RESULTS OF OPERATIONS:

For the fiscal year ended June 30, 2023, and 2022, the District wide results of operations were:

	2023	As Restated 2022 *
<u>REVENUES</u>		
<u>Program Revenues</u>		
Operating Grants	\$146,896	\$383,535
<u>General Revenues:</u>		
State Sources - Unrestricted	375,351	660,947
Intermediate Sources	24,566	45,156
Other General Revenues	364,959	1,791
Total General Revenues	<u>\$764,876</u>	<u>\$707,894</u>
Total Revenues	<u>\$911,772</u>	<u>\$1,091,429</u>
<u>EXPENSES</u>		
Instruction	237,099	452,617
Support Services	569,914	889,783
Community Services	0	7,044
Interest Expense	8,512	12,460
Depreciation/Amortization	79,317	94,377
Total Expenses	<u>\$894,842</u>	<u>\$1,456,281</u>
<u>CHANGE IN NET POSITION</u>	<u>\$16,930</u>	<u>(\$364,852)</u>
* The 2022 figures have not been updated for the adoption of GASB 96.		

The results of this year's operations for the District as a whole are reported in the statement of activities (see table above), which shows the changes in net position for fiscal years ended June 30, 2023, and 2022.

The District's net position increased by \$16,930 during the current fiscal year. The increase in net position differs from the change in fund balances and a reconciliation appears on page 6.

Student Enrollment

Student enrollment decreased from 66 in the 2021-2022 year to 41 in the 2022-2023 year.

General Fund Budgeting and Operating Highlights

The District's budgets are prepared according to Michigan law. The most significant budgeted fund is the General Fund.

During the fiscal year ended June 30, 2023, the District amended the budget of the General Fund one time. State law requires that the budget be amended to ensure that expenditures do not exceed appropriation. A schedule showing the District's General Fund original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements.

The General Fund actual revenue and other financing sources was \$911,772, this amount was less than the final budget estimate of \$913,692. The variance was \$1,920 or less than 1%. The General Fund actual expense and other financing uses was \$883,740, this amount was less than the final budget estimate of \$974,035. The variance was \$90,295 or 9%. The variances were due to conservative revenue budgeting.

The General Fund had total revenues of \$911,772 and total expenditures of \$883,740 with a net increase in fund balance of \$28,032 and an ending fund balance of \$88,374.

FLEX HIGH SCHOOL OF PONTIAC
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023

Capital Asset and Debt Administration

A. Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2023 amounted to \$112,679 (net of accumulated depreciation/amortization). Capital assets at fiscal year-end included the following:

	Capital Assets	
	(Net of Depreciation/Amortization)	
	2023	2022 *
Furniture and Equipment	\$21,514	\$23,330
Computer Equipment	22,525	31,385
Right to Use Building	68,640	137,281
Right to Use Equipment	0	2,623
<u>Total capital assets, net</u>	\$112,679	\$194,619

* The 2022 figures have not been updated for the adoption of GASB 96.

Additional information on the District's capital assets can be found in Note 4.

B. Debt

At the end of the current fiscal year, the District had total long-term debt outstanding of \$75,769. Long-term debt at fiscal year-end included the following:

	Long-Term Debt	
	2023	2022 *
Notes from Direct Borrowings and Direct Placements	\$75,769	\$146,607

* The 2022 figures have not been updated for the adoption of GASB 96.

Additional information on the District's long-term debt can be found in Note 6.

Economic Factors and Next Year's Budget

The following factors will affect the District in the future and were considered in preparing the District's budget for the 2023-24 fiscal year:

- * Foundation allowance of \$9,150 equal to the prior year.
- * A steady student enrollment.

The Flex High School of Pontiac's 2023/2024 adopted budget is as follows:

<u>REVENUE</u>	\$1,298,073
<u>EXPENDITURES</u>	1,213,476
<u>NET OVER BUDGET</u>	\$84,597

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens and taxpayers with a general overview of the District's finances. If you have questions about this report or need additional information, contact Flex High School of Pontiac.

BASIC FINANCIAL STATEMENTS

FLEX HIGH SCHOOL OF PONTIAC
STATEMENT OF NET POSITION
JUNE 30, 2023

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$404,957
Accounts Receivable	337,061
Due from Other Governmental Units	138,923
Capital Assets, Net of Accumulated Depreciation/Amortization	<u>112,679</u>
<u>TOTAL ASSETS</u>	\$993,620
<u>LIABILITIES</u>	
Accounts Payable	727,881
Salaries Payable	13,077
Unearned Revenue	51,609
Non-Current Liabilities - Due Within One Year	<u>75,769</u>
Total Liabilities	\$868,336
<u>NET POSITION</u>	
<u>NET POSITION</u>	
Net Investment in Capital Assets	36,910
Unrestricted	<u>88,374</u>
<u>TOTAL NET POSITION</u>	<u>\$125,284</u>

See notes to the financial statements.

FLEX HIGH SCHOOL OF PONTIAC
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

<u>FUNCTIONS/PROGRAMS</u>	<u>Expenses</u>	<u>Program Revenue</u>		<u>Governmental</u>
		<u>Charges for</u>	<u>Program</u>	<u>Activities</u>
		<u>Services</u>	<u>Specific</u>	<u>Net (Expense)</u>
			<u>Operating</u>	<u>Revenue &</u>
			<u>Grants and</u>	<u>Change in</u>
			<u>Contributions</u>	<u>Net Position</u>
Governmental Activities:				
Instruction	\$237,099	\$0	\$146,896	(\$90,203)
Support Services	569,914	0	0	(569,914)
Interest	8,512	0	0	(8,512)
Depreciation/Amortization - Unallocated	79,317	0	0	(79,317)
<u>TOTALS</u>	<u>\$894,842</u>	<u>\$0</u>	<u>\$146,896</u>	<u>(\$747,946)</u>
General Revenues:				
State Sources - Unrestricted				375,351
Intermediate Sources				24,566
Other				364,959
Total General Revenues				<u>\$764,876</u>
Change in Net Position				<u>\$16,930</u>
Net Position - Beginning of Year - As Restated				<u>108,354</u>
<u>Net Position - End of Year</u>				<u>\$125,284</u>

See notes to the financial statements.

FLEX HIGH SCHOOL OF PONTIAC
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2023

	<u>General Fund</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$404,957
Accounts Receivable	337,061
Due from Other Governmental Units	<u>138,923</u>
<u>TOTAL ASSETS</u>	<u>\$880,941</u>
<u>LIABILITIES</u>	
Accounts Payable	\$727,881
Salaries Payable	13,077
Unearned Revenue	<u>51,609</u>
Total Liabilities	<u>\$792,567</u>
<u>FUND BALANCES</u>	
Unassigned	<u>88,374</u>
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$880,941</u>

See notes to the financial statements.

FLEX HIGH SCHOOL OF PONTIAC
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2023

Total Governmental Fund Balances:		\$88,374
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental resources and therefore are not reported as assets in governmental funds.</p>		
Capital Assets	\$449,152	
Less: Accumulated Depreciation/Amortization	(336,473)	
Capital Assets, Net of Accumulated Depreciation/Amortization	112,679	
<p>Long-term liabilities, 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>		
Notes from Direct Borrowings and Direct Placements		(75,769)
<u>TOTAL NET POSITION -</u>		
<u>GOVERNMENTAL ACTIVITIES</u>		\$125,284

See notes to the financial statements.

FLEX HIGH SCHOOL OF PONTIAC
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	General Funds
<u>REVENUES</u>	
Local Sources	\$27,898
State Sources	455,987
Federal Sources	66,260
Interdistrict Sources	24,566
Total Revenues	\$574,711
<u>EXPENDITURES</u>	
Instruction	237,099
Support Services	567,291
Outgoing Transfers and Other Transactions	79,350
Total Expenditures	\$883,740
Excess (Deficiency) of Revenues Over (Under) Expenditures	(\$309,029)
<u>OTHER FINANCING SOURCES</u>	
Other Transfers	337,061
Net Change in Fund Balance	\$28,032
<u>FUND BALANCE - BEGINNING OF YEAR</u>	60,342
<u>FUND BALANCE - END OF YEAR</u>	\$88,374

See notes to the financial statements.

FLEX HIGH SCHOOL OF PONTIAC
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

Total net change in fund balances - governmental funds		\$28,032
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.</p>		
Capital Outlay		\$0
Depreciation/Amortization Expense		(79,317)
Loss on Sale of Assets		(2,623)
Total		(81,940)
Payments on Installment Contracts		70,838
<u>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</u>		<u>\$16,930</u>

See notes to the financial statements.

FLEX HIGH SCHOOL OF PONTIAC
NOTES TO FINANCIAL STATEMENTS

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Flex High School of Pontiac, formerly Life Skills Center of Pontiac, (the "District") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the District:

A) REPORTING ENTITY

The District was formed as a charter school District pursuant to the Michigan School Code of 1976, as amended by Act No. 362 of the Public Acts of 1993 and Act No. 416 of the Public Acts of 1994 and is subject the leadership and general supervision of the State Board of Education. Bay Mills Community College is the authorizing body of the District. The was renewed July 1, 2020 and ends June 30, 2024. The District's school board is approved by the authorizing body and is authorized to manage the property and affair of the District.

The contract with Bay Mills Community College (BMCC) requires the District to act exclusively as a governmental agency and not undertake any action inconsistent with its status as an entity authorized to receive state school aid funds pursuant to the state constitution. BMCC is the fiscal agent for the District and is responsible for overseeing the District's compliance with the contract and all applicable laws. The District pays BMCC three percent of the state school aid payments received the District as administrative fees.

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 significant operational financial relationships with of the District. Based on application of the criteria, the District does not contain component units.

The District 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 District 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, the authority to determine its budget, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.

B) BASIS OF PRESENTATION - GOVERNMENT-WIDE FINANCIAL STATEMENTS

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

C) BASIS OF PRESENTATION - FUND FINANCIAL STATEMENTS

The fund financial statements provide information about the District's funds, including its fiduciary funds (if any). Separate statements for each fund category - governmental and fiduciary - are presented. The emphasis of fund financial statements is on major governmental funds. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The School District reports the following major governmental fund:

General Fund - The General Fund is the District's primary operating fund. It accounts for all financial resources of the District.

FLEX HIGH SCHOOL OF PONTIAC
NOTES TO FINANCIAL STATEMENTS

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D) MEASUREMENT FOCUS, BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to the financial statements is determined by its measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates are primarily related to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Government-wide Financial Statements - The government-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.

Fiduciary Fund Financial Statements (if any) are reported using the economic resources measurement focus and the accrual basis of accounting, except for the recognition of certain liabilities to the beneficiaries of a fiduciary activity. Liabilities to beneficiaries are recognized when an event has occurred that compels the District to disburse fiduciary resources.

The 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. Revenue not meeting this definition is classified as a deferred inflow of resources. For this purpose, the District considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

State and federal aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the District.

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

E) CASH AND CASH EQUIVALENTS/INVESTMENTS

Cash and cash equivalents include amounts in demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

In accordance with Michigan Compiled Laws, the District is authorized to invest in the following investment vehicles:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.

FLEX HIGH SCHOOL OF PONTIAC
NOTES TO FINANCIAL STATEMENTS

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E) CASH AND CASH EQUIVALENTS/INVESTMENTS (Continued)

- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration (NCUA), but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
- c. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
- d. The United States government or federal agency obligations repurchase agreements.
- e. Bankers acceptances of United States banks.
- f. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Michigan Compiled Laws allow for collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

F) RECEIVABLES

The District considers all accounts receivable to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded. The balance of accounts receivable at June 30, 2023 is primarily composed of amounts due from other governmental units.

G) 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.

H) CAPITAL ASSETS

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) using a \$5,000 capitalization threshold and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not. Interest incurred during the construction of capital assets is also capitalized.

FLEX HIGH SCHOOL OF PONTIAC
NOTES TO FINANCIAL STATEMENTS

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H) CAPITAL ASSETS (Continued)

Land and construction in progress, if any, are not depreciated. Right to use assets of the District are amortized using the straight-line method over the shorter of the lease period of the estimated useful lives. The other property, plant, and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

<u>Description</u>	<u>Governmental Activities</u> <u>Estimated Lives</u>
Furniture and Equipment	5 – 20 years
Computer Equipment	3 – 7 years
Right to Use – Leased Building	3 – 10 years

I) DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Deferred Outflows

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, *deferred outflows of resources*, represents a consumption of net position or fund balance that applies to a future period(s) and thus, will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District does not have any of this type of item.

Deferred Inflows

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, 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 District does not have any of this type of item.

J) NET POSITION FLOW ASSUMPTION

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

K) FUND BALANCE FLOW ASSUMPTION

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

FLEX HIGH SCHOOL OF PONTIAC
NOTES TO FINANCIAL STATEMENTS

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L) FUND BALANCE POLICIES

Fund balances for each of the District's governmental funds are displayed in the following classifications depicting the relative strength of the spending constraints placed on the purposes for which resources can be used:

- * Nonspendable fund balance - amounts that cannot be spent because they are either not in a spendable form (such as inventories and prepaid amounts) or are legally or contractually required to be maintained intact.
- * Restricted fund balance - amounts that can be spent only for specific purposes because of constraints imposed by external providers (such as grantors, bondholders, and higher levels of government), or imposed by constitutional provisions or enabling legislation.
- * Committed fund balance - amounts that have been formally set aside by specific purposes. Commitments are made and can be rescinded only via resolution of the Board of Education.
- * Assigned fund balance - amounts the District intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed. The intent is expressed by the Board of Education.
- * Unassigned fund balance - amounts that are available for any purpose; these amounts can be reported only in the District's General Fund.

In the general fund, the goal of the District shall be to maintain a minimum unassigned fund balance of no less than 5% of the preceding year's expenditures.

M) LEASES AND SUBSCRIPTION BASED IT ARRANGEMENTS (SBITA)

Lessee/subscriber: The District is a lessee for a noncancelable lease/subscription of a building and an IT arrangement. The District recognizes a lease liability and an intangible right-to-use lease asset in the government-wide financial statements. The District recognizes a lease/SBITA liability and an intangible right-to-use lease/SBITA asset in the government-wide financial statements.

At the commencement of a lease/subscription, the District initially measures the lease/SBITA liability at the present value of payments expected to be made during the lease/SBITA term. Subsequently, the lease/SBITA liability is reduced by the principal portion of lease/SBITA payments made. The lease/SBITA asset is initially measured as the initial amount of the lease/SBITA liability, adjusted for lease/SBITA payments made at or before the lease/SBITA commencement date, plus certain initial direct costs. Subsequently, the lease/SBITA asset is amortized on a straight-line basis over its useful life.

Key estimates and judgements related to leases included how the District determines (1) the discount rate it uses to discount the expected lease/SBITA payments to present value, (2) lease/SBITA term, and (3) lease/SBITA payments.

- * The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases/SBITA.
- * The lease/SBITA term includes the noncancelable period of the lease/subscription. Lease/SBITA payments included in the measurement of the lease/SBITA liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

FLEX HIGH SCHOOL OF PONTIAC
NOTES TO FINANCIAL STATEMENTS

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M) LEASES AND SUBSCRIPTION BASED IT ARRANGEMENTS (SBITA) (Continued)

The District monitors changes in circumstances that would require a remeasurement of its lease/SBITA and will remeasure the lease/SBITA asset and liability if certain changes occur that are expected to significantly affect the amount of the lease/SBITA liability.

Lease/SBITA assets are reported with other capital assets and lease/SBITA liabilities are reported with long-term obligations on the statement of net position.

N) REVENUES

Program Revenues – Amounts reported as program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and (2) grants and contributions that are restricted to meeting the operational requirements of a particular function or segment. Unrestricted state aid, interest, and other internally dedicated resources are reported as general revenues rather than as program revenues.

O) USE OF ESTIMATES

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

P) MICHIGAN PUBLIC SCHOOL ACCOUNTING MANUAL

The accompanying financial statements have been prepared on a basis substantially consistent with the Michigan Public School Accounting Manual (Bulletin 1022), which outlines the accounting procedures and policies for school districts required by the Michigan State Board of Education.

Q) BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and special revenue fund. The capital projects fund is appropriated on a project-length basis. Other funds do not have appropriated budgets.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executor) contracts for goods or services (i.e., purchase orders, contracts, and commitments). The District does not utilize encumbrance accounting.

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

1. The Director submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.

FLEX HIGH SCHOOL OF PONTIAC
NOTES TO FINANCIAL STATEMENTS

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Q) BUDGETARY INFORMATION (Continued)

3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, in the general fund are noted in the required supplementary information section.
4. Transfers may be made for budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. The budget was amended during the year with supplemental appropriations, the last one approved prior to yearend June 30, 2023. The District does not consider these amendments to be significant.

R) ECONOMIC DEPENDENCY

The District receives approximately 88% of its operating revenue through the foundation allowance from the State of Michigan.

2) DEPOSITS AND INVESTMENTS

As of June 30, 2023, the District had no investments.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2023, \$154,425 of the District's bank balance of \$404,957 was exposed to custodial credit risk because it was uninsured and uncollateralized. The carrying value on the books for deposits at the end of the year was \$404,957.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

Interest rate risk. In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

Concentration of credit risk. The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

FLEX HIGH SCHOOL OF PONTIAC
NOTES TO FINANCIAL STATEMENTS

2) DEPOSITS AND INVESTMENTS (Continued)

Foreign currency risk. The District is not authorized to invest in investments which have this type of risk.

Fair value measurement. The District is required to disclose amounts within a framework established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1: Quoted prices in active markets for identical securities.

Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include prices for similar securities, interest rates, prepayment speeds, credit risk and others.

Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used. Unobservable inputs reflect the District's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

The asset or liability's fair measurement level with the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The District does not have any investments subject to the fair value measurement.

3) RECEIVABLES – DUE FROM OTHER GOVERNMENTAL UNITS

Receivables at June 30, 2023, consist of accounts (fees), intergovernmental grants and interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables (due from other governmental units) follows:

<u>GOVERNMENTAL ACTIVITIES</u>	<u>AMOUNT</u>
State Aid	\$ 87,314
Federal Grants	<u>51,609</u>
 <u>TOTAL</u>	 <u>\$ 138,923</u>

FLEX HIGH SCHOOL OF PONTIAC
NOTES TO FINANCIAL STATEMENTS

4) CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2023, was as follows:

	Balance Beginning *	Additions	Deductions	Balance Ending
<u>GOVERNMENTAL ACTIVITIES</u>				
Furniture and Equipment	\$28,278	\$0	\$0	\$28,278
Computer Equipment	214,952	0	0	214,952
Right to Use - Building	205,922	0	0	205,922
Right to Use - Equipment	3,338	0	3,338	0
Totals at Historical Cost	\$452,490	\$0	\$3,338	\$449,152
Less: Accumulated Depreciation				
Furniture and Equipment	(4,948)	(1,816)	0	(6,764)
Computer Equipment	(183,567)	(8,860)	0	(192,427)
Right to Use - Building	(68,641)	(68,641)	0	(137,282)
Right to Use - Equipment	(715)	0	(715)	0
Total Accumulated Depreciation	(\$257,871)	(\$79,317)	(\$715)	(\$336,473)
<u>GOVERNMENTAL ACTIVITIES</u>				
<u>CAPITAL ASSETS - NET</u>	\$194,619	(\$79,317)	\$2,623	\$112,679

* The beginning balance was restated (See note 7).

Depreciation expense was not charged to functions/programs of the primary government as the District considers its assets to impact multiple activities and allocation is not practical.

Net investment in capital assets consists of the following:

Capital Assets	\$ 449,152
Less: Accumulated Depreciation	(336,473)
Less: Related Long-Term Liabilities	(75,769)
<u>NET INVESTMENT IN CAPITAL ASSETS</u>	\$ 36,910

5) SHORT-TERM DEBT

In August, 2021, the District borrowed \$160,000 at 3.3% on a state aid anticipation note. The note proceeds were used to meet cash flow needs for the 2021-2022 fiscal year and matured August 22, 2022. The note is secured by the full faith and credit of the District as well as pledged state aid. In an event of a default on the note, the state may impose a penalty interest rate and at the state's discretion, accelerate the repayment terms. Activity for the year ended June 30, 2023 is as follows:

	Balance Beginning	Additions	Deductions	Balance Ending
State Aid Note	\$28,740	\$0	\$28,740	\$0

FLEX HIGH SCHOOL OF PONTIAC
NOTES TO FINANCIAL STATEMENTS

6) GENERAL LONG-TERM DEBT

The following is a summary of long-term obligations for the District for the year ended June 30, 2023:

<u>Governmental Activities:</u>	<u>Balance</u> <u>Beginning *</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>Ending</u>	<u>Amount Due</u> <u>in One Year</u>
Notes from Direct Borrowings and Direct Placements	\$146,607	\$0	\$70,838	\$75,769	\$75,769

* The beginning balance was restated (See note 7).

NOTES FROM DIRECT BORROWINGS AND DIRECT PLACEMENTS

On July 1, 2020, Flex High entered into a lease for the Pontiac campus at 142 Auburn Ave, Pontiac, Michigan, under the terms of the lease agreement, the lease was extended until June 30, 2024. The lease requires monthly payments from \$6,000 to \$6,556

\$ 75,769

The District's outstanding notes from direct borrowings and direct placements related to governmental activities of \$75,769 contains provisions that in an event of default, either by (1) unable to make principal or interest payments (2) false or misrepresentation is made to the lender (3) become insolvent or make an assignment for the benefit of its creditors (4) if the lender at any time in good faith believes that the prospect of payment of any indebtedness is impaired. Upon the occurrence of any default event, the outstanding amounts, including accrued interest become immediately due and payable.

The annual principal requirements for all debt outstanding as of June 30, 2023 are as follows:

	<u>Notes from Direct Borrowings</u> <u>and Direct Placements</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
June 30, 2024	<u>\$75,769</u>	<u>\$2,904</u>	<u>\$78,673</u>

Interest expense (all funds) for the year ended June 30, 2023 was \$8,512.

7) NET POSITION RESTATEMENT

Net Position as Previously Stated	\$178,110
Less: Adjustment to Right-to-Use Building Asset Cost	(20,999)
Less: Adjustment to Right-to-Use Building Accumulated Depreciation due to Incorrect Calculation of Depreciation	(57,295)
Add: Adjustment in Right-to-Use Building Liability	<u>8,538</u>
<u>NET POSITION AS RESTATED</u>	<u>\$108,354</u>

8) RISK MANAGEMENT

The District is exposed to various risks of loss related to property loss, torts, errors and omissions. The District purchases commercial insurance coverage to cover potential claims, and management believes this coverage is sufficient to protect the District from any significant adverse financial impact.

FLEX HIGH SCHOOL OF PONTIAC
NOTES TO FINANCIAL STATEMENTS

9) COMMITMENTS AND CONTINGENCIES

In the ordinary course of business, the District is involved in various pending or threatened legal actions. The District believe that any ultimate liability arising from these actions will not have a material adverse effect on its financial position.

The District participates in a number of federal and state programs that require compliance with specific terms and conditions and are subject to audits by the contracting agencies. Management believes that the effect of any disallowed expenditures would be immaterial to the financial statements.

10) UPCOMING ACCOUNTING PRONOUNCEMENTS

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections* - an amendment of *GASB Statement No. 62*. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2023-2024 fiscal year.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2024-2025 fiscal year.

11) CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2023, the District implemented the following new pronouncement: *GASB Statement No. 96, Subscription-based Information Technology Arrangements*.

Summary:

Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-based Information Technology Arrangements* was issued in May 2020. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended.

There was no material impact on the District's financial statement after the adoption of GASB Statement 96.

REQUIRED SUPPLEMENTARY
INFORMATION

FLEX HIGH SCHOOL OF PONTIAC
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2023

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
<u>REVENUES</u>				
Local Sources	\$751,791	\$10,000	\$27,898	\$17,898
State Sources	660,948	497,808	455,987	(41,821)
Federal Sources	115,696	32,674	66,260	33,586
Total Revenues	\$1,528,435	\$540,482	\$550,145	\$9,663
<u>EXPENDITURES</u>				
Instruction	473,362	278,862	237,099	41,763
Student Services	126,589	12,893	13,416	(523)
Instructional Support	134,985	8,661	6,660	2,001
General Administration	152,345	80,733	56,341	24,392
School Administration	112,030	189,314	191,659	(2,345)
Business Administration	92,667	52,811	40,038	12,773
Operation & Maintenance of Plant	249,221	246,938	176,683	70,255
Transportation	915	1,000	125	875
Support Services - Other	151,742	102,823	82,369	20,454
Community Services	6,595	0	0	0
Total Expenditures	\$1,500,451	\$974,035	\$804,390	\$169,645
<u>OTHER FINANCING SOURCES (USES)</u>				
Net Change in Fund Balance	34,291	373,210	282,277	(90,933)
	\$62,275	(\$60,343)	\$28,032	\$88,375
<u>FUND BALANCE - BEGINNING OF YEAR</u>			60,342	
<u>FUND BALANCE - END OF YEAR</u>			\$88,374	

FLEX HIGH SCHOOL OF PONTIAC
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY INFORMATION

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

The budget document presents information by fund and function. 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 District to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits District's to amend their budgets during the year. During the year, the budget was amended in a legally permissible manner. The District increased/decreased budgeted amounts during the year in response to changes in funding and related expenditures.

Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

During the year, Flex High School of Pontiac has the following expenditure budget variances.

	<u>Budget</u>	<u>Actual</u>	<u>Final Budget</u>
Student Services	\$12,893	\$13,416	(\$523)
School Administration	189,314	191,659	(2,345)
Outgoing Transfers and Other Transactions	0	79,350	(79,350)



October 25, 2023

**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***

To the Board of Education of
Flex High School of Pontiac

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 Flex High School of Pontiac, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Flex High School of Pontiac's basic financial statements, and have issued our report thereon dated October 25, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Flex High School of Pontiac's internal control over financial reporting (internal control) as a basis for designing 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 Flex High School of Pontiac's internal control. Accordingly, we do not express an opinion on the effectiveness of Flex High School of Pontiac's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Flex High School of Pontiac's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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*.

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Purpose of this Report

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

Lewis & Knopf, P.C.

LEWIS & KNOPF, P.C.
CERTIFIED PUBLIC ACCOUNTANTS



October 25, 2023

To the Board of Education of
Flex High School of Pontiac

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Flex High School of Pontiac for the year ended June 30, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 21, 2023. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Flex High School of Pontiac are described in Note 1 to the financial statements. The application of existing policies was not changed during the 2022-2023 year. During the fiscal year, the District implemented Governmental Accounting Standards Board Statement No. 96, *Subscription-based Information Technology Arrangements*. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the District's financial statements were:

Management's determination of the estimated life span of the capital assets.

We evaluated the key factors and assumptions used by management to develop the estimated life span of the capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.

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

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 25, 2023.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to required supplementary information (RSI) which are required and supplement the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Flex High School of Pontiac
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Restriction on Use

This information is intended solely for the use of the Board of Education and management of Flex High School of Pontiac and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Lewis & Knopf, P.C.

LEWIS & KNOPF, P.C.
CERTIFIED PUBLIC ACCOUNTANTS