

**FAXON LANGUAGE  
IMMERSION ACADEMY**

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**Financial Report  
with Supplemental Information  
June 30, 2019**

# FAXON LANGUAGE IMMERSION ACADEMY

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# Wilkerson & Associate P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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LARRY WILKERSON, C.P.A.  
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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Faxon Language Immersion Academy

### Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Faxon Language Immersion Academy, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

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

#### *Auditor's Responsibility*

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

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

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

Members: A.I.C.P.A. and M.I.C.P.A.

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Faxon Language Immersion Academy as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements is required by the Government Auditing 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Faxon Language Immersion Academy's basic financial statements. The nonmajor funds combining statement of revenues, expenditures, and changes in fund balances – special revenue funds is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The nonmajor funds combining statement of revenues, expenditures, and changes in fund balances, statement of revenue and expenditures – budget and actual are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applies in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the nonmajor funds combining statement of revenues, expenditures, and changes in fund balances, statement of revenue and expenditures – budget and actual are fairly stated in all material respects in relation to the basic financial statements as a whole.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2019, on our consideration of Faxon Language Immersion Academy'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 to describe the scope of our testing of internal control over financial reporting or on compliance. That report is an integral part of the audit performed in accordance with *Government Auditing Standards* in considering Faxon Language Immersion Academy's internal control over financial reporting and compliance.

*Wilkerson & Associate PC*

October 25, 2019

**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 Directors of  
Faxon Language Immersion Academy

We have audited the financial statements of Faxon Language Immersion Academy as of and for the year ended June 30, 2019, and have issued our report thereon dated October 25, 2019. 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.

Internal Control Over Financial Reporting

Faxon Language Immersion Academy is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Faxon Language Immersion Academy's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Faxon Language Immersion Academy's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Faxon Language Immersion Academy's internal control over financial reporting.

*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 misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**Members: A.I.C.P.A. and M.I.C.P.A.**

To the Board of Directors of  
Faxon Language Immersion Academy

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Faxon Language Immersion Academy's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information and use of the Board of Directors, management and the Michigan Department of Education and is not intended to be and should not be used by anyone other than these specified parties.

*Wilkerson & Associate PC*

*October 25, 2019*

FAXON LANGUAGE IMMERSION ACADEMY  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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This section of the Faxon Language Immersion Academy's annual financial report presents our discussion and analysis of the Academy's financial performance during the year ended June 30, 2019. Please read it in conjunction with the Academy's financial statements, which immediately follow this section.

**Using this Annual Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Academy financially as a whole. The Government-wide financial statements provide information about the activities of the whole Academy, presenting both an aggregate view of the Academy's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. 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 look at the Academy's operations in more detail than the Government-wide financial statements by providing information about the Academy's most significant funds - the General Fund, with all other funds presented in one column as non-major funds.

*Management's Discussion and Analysis (MD&A)*

*(Required Supplemental Information)*

Basic Financial Statements

*Government-wide Financial Statements    Fund Financial Statements*

*Notes to the Basic Financial Statements*

*(Required Supplemental Information) Budgetary Information for Major Funds*

*Other Supplemental Information*

**Reporting the Academy as a Whole - Government-wide Financial Statements**

One of the most important questions asked about the Academy is, "As a whole, what is the Academy's financial condition as a result of the year's activities?" The statement of net assets and the statement of activities, which appear first in the Academy's financial statements, report information on the Academy as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Academy's net assets - the difference between assets and liabilities, as reported in the statement of net assets - as one way to measure the Academy's financial health or financial position. Over time, increases or decreases in the Academy's net assets - as reported in the statement of activities - are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the Academy's operating results. However, the Academy's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the school, to assess the overall health of the Academy. The statement of net assets and the statement of activities report the governmental activities for the Academy, which encompass all of the Academy's services, including instruction, support services, and community services. Unrestricted State aid (foundation allowance revenue), and State and federal grants finance most of these activities.

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FAXON LANGUAGE IMMERSION ACADEMY  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**Reporting the Academy's Most Significant Funds • Fund Financial Statements**

The Academy's fund financial statements provide detailed information about the most significant funds - not the Academy as a whole. Some funds are required to be established by State law and by bond covenants. However, the Academy establishes many other funds to help it control and manage money for particular purposes (Agency Funds) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The governmental funds of the Academy use the following accounting approach:

- Governmental funds - All of the Academy's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the Academy and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Academy's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in reconciliation.

**The Academy as a Whole**

Recall that the statement of net assets provides the perspective of the Academy as a whole. The following table provides a summary of the Academy's net assets as of June 30, 2018 and 2019:

<b><u>NET ASSETS SUMMARY</u></b>		
	2019	2018
<b><u>ASSETS</u></b>		
Current Assets	\$150,923	\$171,728
Non-Current Assets	-	-
<b><u>TOTAL ASSETS</u></b>	<b>\$150,923</b>	<b>\$171,728</b>
<b><u>LIABILITIES</u></b>		
Current Liabilities	\$119,425	\$162,181
Long-Term Liabilities	-	-
Total Liabilities	\$119,425	\$162,181
<b><u>NET ASSETS</u></b>		
Restricted	-	-
Unrestricted	31,498	9,547
Total Net Assets	\$31,498	\$9,547
<b><u>TOTAL LIABILITIES AND NET ASSETS</u></b>	<b>\$150,923</b>	<b>\$171,728</b>

FAXON LANGUAGE IMMERSION ACADEMY  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**RESULTS OF OPERATIONS:**

For the fiscal years ended June 30, 2018 and 2019, the District wide results of operations were:

<u>REVENUES</u>	<u>2019</u>	<u>2018</u>
<u>General Revenues:</u>		
Local Sources	\$ 21,378	\$ 23,175
State Sources - Unrestricted	581,229	682,871
Other General Revenues	-	-
Total General Revenues	<u>602,607</u>	<u>706,046</u>
 <u>Operating Grants:</u>		
Federal	56,948	17,997
State of Michigan	-	-
Total Operating Grants	<u>56,948</u>	<u>17,997</u>
Total Revenues	<u>659,555</u>	<u>724,043</u>
 <u>EXPENSES</u>		
Instruction	221,125	283,097
Support Services	416,479	456,751
Total Expenses	<u>637,604</u>	<u>739,848</u>
 <u>INCREASE IN NET ASSETS</u>	21,951	(15,805)
 <u>BEGINNING NET ASSETS</u>	<u>9,547</u>	<u>25,352</u>
 <u>ENDING NET ASSETS</u>	<u>\$ 31,498</u>	<u>\$ 9,547</u>

**Analysis of Results of Operations**

The District's overall expenditures exceeded revenue for the year in the amount of \$21,951. Total revenues decreased by \$64,488 from the previous year. This was the fifth year of Academy operations and the decrease in revenues was a result of reduced enrollment. Expenditures decreased by \$102,244 compared to the prior year, which was primarily due to reduced payroll and related expenditures.

**GOVERNMENT- WIDE FINANCIAL ANALYSIS**

**FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS – GOVERNMENTAL FUNDS**

Analysis of Financial Position

The focus of the District's governmental funds is to provide information on near term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the district's financing requirements. In particular, unreserved fund balance may serve as a useful measure of government's net resources available for spending at the end of the fiscal year. An analysis of changes for the governmental funds is as follows:

FAXON LANGUAGE IMMERSION ACADEMY  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**FINANCIAL ANALYSIS OF GOVERNMENT’S FUNDS – GOVERNMENTAL FUNDS (Continued)**

General Fund

The district’s General Fund is the chief operating fund of the district. The unreserved fund balance for the General Fund Increased by \$21,951. Revenues for the year decreased by \$65,642 due to reduced enrollment. The major source of General Fund revenues is State Aid. An analysis follows:

1. Per Student, Foundation Allowance:  
 Annually, the State of Michigan establishes the per student foundation allowance. The Academy’s foundation allowance was \$7,871 per student for the 2018-2019 school year which is an increase of \$240 from the prior year.
  
2. Student Enrollment:  
 The District’s blended student enrollment for 2018-2019 was 70 students.

**GENERAL FUND BUDGETARY HIGHLIGHTS:**

**GENERAL FUND BUDGET VS. ACTUAL**

<u>Fiscal Year</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Original &amp; Final Budget %</u>	<u>Variance Actual &amp; Final Budget %</u>
Revenue	\$ 894,690	\$ 770,723	\$ 725,197	13.86	5.91
Expenditures	889,175	774,252	739,848	12.92	4.44
<u>TOTAL</u>	<u>\$ 5,515</u>	<u>\$ (3,529)</u>	<u>\$ (14,651)</u>		

**ANALYSIS OF BUDGETS:**

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year.

As a matter of practice, the Academy amends its budget during the school year. The June 2019 budget amendment was the final budget for the fiscal year.

Original vs. Final Budgets

Revenues

Variations between the original and final budget were insignificant.

Expenditures

Variations between the original and final budget were insignificant..

FAXON LANGUAGE IMMERSION ACADEMY  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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**ANALYSIS OF BUDGETS: (Continued)**

Actual Results vs. Final Budgets

Revenues

Changes between actual revenues and the final budget were insignificant.

Expenditures

Changes between actual expenditures and the final budget were insignificant.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

State Aid

The foundation amount for the 2019-2020 school year is expected to increase by \$180 per student. The district's September 2020 enrollment is expected to decrease slightly to 108 students.

The Academy's 2019/2020 adopted budget is as follows:

<u>REVENUE</u>	\$ 934,787
<u>EXPENDITURES</u>	<u>925,967</u>
<u>NET OVER BUDGET</u>	<u>\$ 8,820</u>

**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 the Chief Administrative Officer or the Board Treasurer.

**FAXON LANGUAGE IMMERSION ACADEMY**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2019**

<b>Assets</b>		
Cash and Cash Equivalents		\$ 16,688
Due From Other Governmental Units		134,235
<b>Total Assets</b>		<u>150,923</u>
<b>Liabilities</b>		
Accounts Payable		50,924
Accrued Payroll and Benefits		28,441
Accrued Expenses		40,060
<b>Total Liabilities</b>		<u>119,425</u>
<b>Net Position</b>		
Unrestricted		<u>31,498</u>
<b>Total Net Position</b>		<u>\$ 31,498</u>

**FAXON LANGUAGE IMMERSION ACADEMY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2019**

Functions/Programs	Expenses	Program Revenues		Governmental Activities Net (Expenses) Revenues and changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
<b>Governmental Activities</b>				
Instruction	\$ 221,125	\$ -	\$ 49,936	\$ (171,189)
Support Services	416,480	-	7,013	(409,467)
<b>Total Governmental Activities</b>	637,605	-	56,948	(580,657)
		<u>General Revenues</u>		
				581,229
				21,378
				602,608
				21,951
				9,547
				\$ 31,498

**FAXON LANGUAGE IMMERSION ACADEMY  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2019**

	General Fund	Food Service Fund	Total Governmental Funds
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 15,645	\$ 1,043	\$ 16,688
Due From Other Governmental Units	134,235	-	134,235
Due From Other Funds	-	80	80
	<b>Total Assets</b>	<b>\$ 1,123</b>	<b>\$ 151,003</b>
	<b>\$ 149,880</b>	<b>\$ 1,123</b>	<b>\$ 151,003</b>
 <b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities</b>			
Accounts Payable	\$ 50,924	\$ -	\$ 50,924
Accrued Payroll and Benefits	28,441	-	28,441
Accrued Expenditures	40,060	-	40,060
Due To Other Funds	80	-	80
	<b>Total Liabilities</b>	-	119,505
	119,505	-	119,505
 <b>Fund Balances</b>			
Restricted:			
Food Service	-	1,123	1,123
Unassigned	30,375	-	30,375
	<b>Total Fund Balances</b>	1,123	31,498
	30,375	1,123	31,498
	<b>\$ 149,880</b>	<b>\$ 1,123</b>	<b>\$ 151,003</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 149,880</b>	<b>\$ 1,123</b>	<b>\$ 151,003</b>

**FAXON LANGUAGE IMMERSION ACADEMY  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2019**

<b>Total Fund Balances - Governmental Funds</b>		\$ 31,498
Cost of Capital Assets	6,750	
Accumulated Depreciation	<u>(6,750)</u>	<u>-</u>
<b>Total Net Position - Governmental Activities</b>		<u><u>\$ 31,498</u></u>

**FAXON LANGUAGE IMMERSION ACADEMY  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>General Fund</u>	<u>Food Service Fund</u>	<u>Total Governmental Funds</u>
<b>Revenue</b>			
Federal Sources	\$ 56,948	\$ -	\$ 56,948
State Sources	581,229	-	581,229
Local Sources	21,378	-	21,378
<b>Total Revenue</b>	<u>659,555</u>	<u>-</u>	<u>659,555</u>
<b>Expenditures</b>			
Instruction:			
Basic Instructions	184,465	-	184,465
Added Needs	36,660	-	36,660
Supporting Services:			
Pupil Support Services	5,085	-	5,085
Instructional Staff Services	8,518	-	8,518
General Administration Services	78,372	-	78,372
School Administration Services	49,099	-	49,099
Business Services	14,697	-	14,697
Operations and Maintenance	230,170	-	230,170
Central Services	30,278	-	30,278
<b>Total Expenditures</b>	<u>637,345</u>	<u>-</u>	<u>637,345</u>
<b>Excess (Deficiency) of Revenue over Expenditures</b>	<u>22,210</u>	<u>-</u>	<u>22,210</u>
<b>Other Financing Sources (Uses)</b>			
Operating Transfers - Out	(259)	-	(259)
<b>Total Other Financing Sources(Uses)</b>	<u>(259)</u>	<u>-</u>	<u>(259)</u>
<b>Net Change in Fund Balances</b>	21,951	-	21,951
<b>Fund Balances - July 1, 2018</b>	<u>8,424</u>	<u>1,123</u>	<u>9,547</u>
<b>Fund Balances - June 30, 2019</b>	<u>\$ 30,375</u>	<u>\$ 1,123</u>	<u>\$ 31,498</u>

**FAXON LANGUAGE IMMERSION ACADEMY  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF  
REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2019**

<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$ 21,951
Grants and other receivables that are collected after year end, such that they are not available to pay bills outstanding as of year end, are not recognized in the funds.	-
<b>Change in Net Position - Governmental Activities</b>	<u>\$ 21,951</u>

**FAXON LANGUAGE IMMERSION ACADEMY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Faxon Language Immersion Academy (the "Academy") 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:

**A. Reporting Entity**

Faxon Language Immersion Academy is a public school academy that provides instructional and support services to elementary school students from kindergarten to the fifth grades. The Academy was formed as a public school academy pursuant to the Michigan School Code of 1976, as amended by Act No. 362 of the Public Acts of 1993 and Act No. 416 of the Public Acts of 1994.

The Academy entered into a seven-year contract with Grand Valley State University Board of Trustees to charter a public school academy on July 1, 2012, effective July 1, 2012 through June 30, 2019. The contract requires the Academy 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. Grand Valley State University Board of Trustees 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 pays the Grand Valley State University Board of Trustees 3 percent of State aid as an administrative fee. The total administrative fee paid through June 30, 2019 to the Grand Valley State University Board of Trustees was approximately \$16,500. The Academy changes its name to Faxon Academy and entered into a three-year contract with Saginaw Valley State University Board of Control to charter a public school academy on July 1, 2019, effective July 1, 2019 through June 30, 2022.

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 and financial relationships that determine which of the governmental organizations are a part of the Academy's reporting entity, and which organizations are legally separate, component units of the Academy. Based on application of the criteria, the entity does not contain component units.

**FAXON LANGUAGE IMMERSION ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. District-Wide and Fund Financial Statements**

The district-wide financial statements (i.e., the statement of Net Position and the statement of changes in Net Position) report information on all of the nonfiduciary activities of the primary government. Substantially all interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the Academy's government-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational and capital requirements of a particular function.

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

**District-Wide Statements**

The district-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.

The effect of the interfund activity has been substantially eliminated from the government-wide financial statements.

**FAXON LANGUAGE IMMERSION ACADEMY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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-Based 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 government considers revenue 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 required under accrual accounting. However, debt service expenditures are recorded only when payment is due.

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

The State of Michigan utilizes a foundation allowance approach, which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The State portion of the foundation is provided from the State's School Aid Fund and is recognized as revenue in accordance with state law.

**FAXON LANGUAGE IMMERSION ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

The Academy also receives revenue from the State to administer certain categorical educational programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain categorical funds require an accounting to the State of the expenditures incurred. For categorical funds meeting this requirement, funds received which are not expected to be expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

The Academy reports the following major governmental fund:

***General Fund***

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

**D. Assets, Liabilities, and Net Position or Equity**

**Deposits, Cash Equivalents, and Investments**

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of twelve months or less when acquired.

The Academy believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Academy evaluates each financial institution it deposits Academy funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk are used as depositories.

**FAXON LANGUAGE IMMERSION ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Assets, Liabilities, and Net Position or Equity (Continued)**

The Academy is authorized by Michigan Compiled Laws, Section 129.91 to invest surplus monies in federally insured United States banks, credit unions, and savings and loan associations that have offices in Michigan. The Academy is also authorized to invest in bonds and notes, certain commercial paper, U.S. Government repurchase agreements, bankers' acceptances and mutual funds and investment pools that are composed of authorized investment vehicles.

**Capital Assets**

Capital assets, which include equipment only is reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of five years. 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 any infrastructure-type assets.

Equipment is depreciated using the straight-line method over the following useful lives:

Furniture and other equipment 5 – 20 years

**Deferred Revenue**

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

**FAXON LANGUAGE IMMERSION ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Assets, Liabilities, and Net Position or Equity (Continued)**

**Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of Net Position. In the fund financial statements, governmental fund types recognize bond proceeds, premiums and discounts, as well as issuance costs, during the current period.

**Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriations or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Comparative Data**

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

District-wide financial statements (statement of Net Position and statement of activities) prepared using full accrual accounting for all of the Academy's activities have been provided.

Capital assets of \$6,750 are currently recorded in the governmental activities column of the statement of Net Position.

The fund financial statements focus on major funds rather than fund types.

**Estimates**

The preparation of the 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 amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**FAXON LANGUAGE IMMERSION ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Assets, Liabilities, and Net Position or Equity (Continued)**

**Budgetary Data**

The Academy is legally subject to the budgetary control requirements of the State of Michigan P.A. 621 of 1978 (the Uniform Budgetary Act). The following is a summary of the requirements of the Act:

1. Budgets must be adopted for the General Fund and Special Revenue Funds.
2. The budgets must be balanced.
3. The budgets must be amended when necessary.
4. Public hearings must be held before budget adoptions.
5. Expenditures cannot exceed budget appropriations.
6. Expenditures must be authorized by a budget before being incurred.

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

The Academy formally adopted General Fund budgets by function for the fiscal year ended June 30, 2017. Expenditures at this level in excess of amounts budgeted are a violation of Michigan law. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. No encumbrances were outstanding in the General Fund and Special Revenue Funds at June 30, 2018. During the current year, the budget was amended in a legally permissible manner.

The combined statement of revenues, expenditures and changes in fund balances – all governmental fund types is presented in conformity with generally accepted accounting principles. The combined statement of revenues, expenditures and changes in fund balances – budget and actual is presented on the same basis of accounting used in preparing the adopted budget.

**FAXON LANGUAGE IMMERSION ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)**

Excess of Expenditures over Appropriations in Budgeted Funds - During the year, the Academy incurred expenditures in the General Fund, which in the aggregate were not in excess of the overall department amounts budgeted.

	Budget	Actual	Variance
General Administration	\$ 73,740	\$ 78,372	\$ 4,632
Business Services	10,990	14,697	3,707
Operations and Maintenance	227,090	230,170	3,080

**NOTE 3 - DEPOSITS**

State statutes and the Academy's investment policy 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, and has not adopted any other formal investment policy.

The Academy's cash is subject to custodial credit risk, which is examined in more detail below:

**Custodial Credit Risk of Bank Deposits** – Custodial credit risk is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. The Academy evaluates its depositories and only those with an acceptable risk level are used for the Academy's deposits. The Academy believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits.

**FAXON LANGUAGE IMMERSION ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 3 - DEPOSITS (Continued)**

At year end, the Academy's deposits were reported in the basic financial statements as cash and cash equivalents of \$16,688.

The deposits of the Academy were reflected in the accounts of the financial institution at \$28,015 of which all is covered by federal depository insurance.

**NOTE 4 - CAPITAL ASSETS**

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

	<u>Balance July 1, 2018</u>	<u>Additions</u>	<u>Disposals and Adjustments</u>	<u>Balance June 30, 2019</u>
Assets being depreciated:				
Copier equipment	\$ 6,750	\$ -	\$ -	\$ 6,750
Subtotal	6,750	-	-	6,750
Accumulated depreciation:				
Copier equipment	6,750	-	-	6,750
Net capital assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Depreciation expense was not charged to specific activities as the Academy considers its assets to impact multiple activities and allocation is not practical.

**FAXON LANGUAGE IMMERSION ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 5 - DUE FROM OTHER GOVERNMENTS**

State source receivable	\$ 106,071
Federal source receivable	<u>28,164</u>
Total due from other governments	<u><u>\$ 134,235</u></u>

All receivables were collected subsequent to year end.

**NOTE 6 - RISK MANAGEMENT**

The Academy is exposed to various risks of loss related to property loss, torts, errors and omissions and employees injuries (workers compensation), as well as medical benefits provided to employees. The Academy has purchased commercial insurance for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage since inceptions.

**NOTE 7 - MANAGEMENT AGREEMENT**

On July 1, 2018 the Academy entered into a management agreement with GPS Solutions, LLC to provide elementary and secondary education management services. The contract fee is eight percent of total state revenue. The fee for the 2018-2019 school year amounted to approximately \$46,200.

**NOTE 8 - MSPERS LIABILITY**

The Academy contracted with GPS Solutions, LLC to provide all staffing personnel during the year under audit. Consequently, all staffing cost is treated as purchased services in these financial statements.

The Academy has no obligation to fund the Michigan Public School Employees Retirement System for the year ended June 30, 2019.

**FAXON LANGUAGE IMMERSION ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 9 - OPERATING LEASE**

The Academy entered into an operating lease agreement with The International School effective June 6, 2012 and the Fourth Amendment extended the lease to August 31, 2017. The Fifth Amendment, effective July 11, 2017, extends the lease to June 30, 2019. The Academy is responsible for insurance, repairs and maintenance for the building. Rent expense related to this lease is \$116,246 for the period ended June 30, 2019.

**NOTE 10 - SUBSEQUENT EVENTS**

On October 15, 2019, the Academy borrowed \$130,000 in a State Aid Note. The note bears an interest rate of 5.25% percent, maturing on August 23, 2020.

**REQUIRED SUPPLEMENTAL INFORMATION**

**FAXON LANGUAGE IMMERSION ACADEMY  
REQUIRED SUPPLEMENTAL INFORMATION  
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2019**

	Original Budget	Final Budget	Actual	<i>Over (Under) Final Budget</i>
<b>Revenue</b>				
Federal Sources	\$ 36,995	\$ 62,980	\$ 56,948	\$ (6,032)
State Sources	651,701	566,798	581,229	14,431
Local Sources	23,525	21,890	21,378	(512)
<b>Total Revenue</b>	<u>712,221</u>	<u>651,668</u>	<u>659,555</u>	<u>7,887</u>
<b>Expenditures</b>				
Instruction:				
Basic Instructions	251,746	197,563	184,465	(13,098)
Added Needs	30,257	39,466	36,660	(2,806)
Supporting Services:				
Pupil Support Services	8,440	10,321	5,085	(5,236)
Instructional Staff Services	3,109	11,948	8,518	(3,430)
General Administration Services	82,343	73,740	78,372	4,632
School Administration Services	115,016	53,630	49,099	(4,531)
Business Services	12,591	10,990	14,697	3,707
Operations and Maintenance	196,591	227,090	230,170	3,080
Pupil Transportation Services	250	250	-	(250)
Central Services	10,800	32,600	30,278	(2,322)
Other	1,000	-	-	-
Community Services	-	100	-	(100)
<b>Total Expenditure</b>	<u>712,143</u>	<u>657,698</u>	<u>637,345</u>	<u>(20,353)</u>
<b>Excess (Deficiency) of Revenue over Expenditures</b>	78	(6,030)	22,210	28,240
<b>Other Financing Sources (Uses)</b>				
Outgoing Transfers and Other Transactions	-	(1,300)	(259)	1,041
<b>Net Change in Fund Balance</b>	78	(7,330)	21,951	29,281
<b>Fund Balance - July 1, 2018</b>	<u>8,424</u>	<u>8,424</u>	<u>9,547</u>	<u>-</u>
<b>Fund Balance - June 30, 2019</b>	<u>\$ 8,502</u>	<u>\$ 1,094</u>	<u>\$ 31,498</u>	<u>\$ 29,281</u>

**OTHER SUPPLEMENTAL INFORMATION**

**FAXON LANGUAGE IMMERSION ACADEMY  
SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET  
FOR THE YEAR ENDED JUNE 30, 2019**

	<b>Food Service</b>	<b>Debt Service</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 1,043	-	\$ 1,043
Due from Other Funds	80	-	80
Due from Governmental Units	-	-	-
	<b>Total Assets</b>	<b>\$ -</b>	<b>\$ 1,123</b>
	<b>\$ 1,123</b>	<b>\$ -</b>	<b>\$ 1,123</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities</b>			
Accounts Payable	\$ -	\$ -	\$ -
Accrued Expenditures	-	-	-
	<b>Total Liabilities</b>	<b>-</b>	<b>-</b>
	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balances</b>			
Unreserved - Undesignated - Reported in Special Revenue Funds	1,123	-	1,123
	<b>Total Fund Balances</b>	<b>-</b>	<b>1,123</b>
	<b>1,123</b>	<b>-</b>	<b>1,123</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,123</b>	<b>-</b>	<b>\$ 1,123</b>

**FAXON LANGUAGE IMMERSION ACADEMY  
REPORT TO THE BOARD OF DIRECTORS**

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**JUNE 30, 2019**

# Wilkerson & Associate P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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3 PARKLANE BLVD. SUITE 612  
DEARBORN, MICHIGAN 48126  
313-982-4340 FAX 313-982-4342

LARRY WILKERSON, C.P.A.  
THOMAS E. WILKERSON, C.P.A.

To the Board of Directors of  
Faxon Language Immersion Academy

We have recently completed our audit of the basic financial statements of Faxon Language Immersion Academy (the "Academy") as of and for the year ended June 30, 2019. In addition to our audit report, we are providing the following required audit communication, recommendations, and informational items which impact the Academy:

	<u>Page(s)</u>
<b>Results of Audit</b>	<b>2-5</b>
<b>Recommendations</b>	<b>6</b>
<b>Informational Items</b>	<b>6-7</b>

We are grateful for the opportunity to be of service to Faxon Language Immersion Academy. Should you have any questions regarding the comments in this report, please do not hesitate to call.

*Wilkerson & Associate PC*

October 25, 2019

**Members: A.I.C.P.A. and M.I.C.P.A.**

To the Board of Directors  
Faxon Language Immersion Academy  
October 25, 2019

## **Results of the Audit**

We have audited the financial statements of Faxon Language Immersion Academy (the “Academy”) as of and for the year ended June 30, 2019 and have issued our report thereon dated October 25, 2019. Professional standards require that we provide you with the following information related to our audit.

### **Our Responsibility Under U.S. Generally Accepted Auditing Standards**

As stated in our engagement letter dated February 1, 2019, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. We are responsible for planning and performing the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of the Academy. Our consideration of internal control was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters and our audit of the financial statements does not relieve you or management of your responsibilities.

Our audit of the Academy’s financial statements has also been conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Under *Government Auditing Standards*, we have made some assessments of the Academy’s compliance with certain provisions of laws, regulations, contracts, and grant agreements. While those assessments are not sufficient to identify all noncompliance with applicable laws, regulations, and contract provisions, we are required to communicate all noncompliance conditions that come to our attention. We have communicated those conditions in a separate letter dated October 25, 2019 regarding our consideration of the Academy’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements.

To the Board of Directors  
Faxon Language Immersion Academy  
October 25, 2019

We are also obligated to communicate certain matters related to our audit of those responsible for the governance of the Academy, including certain instances of error or fraud and significant deficiencies in internal control that we identify during our audit. In certain situations, *Government Auditing Standards* require disclosure of illegal acts to applicable government agencies. If such illegal acts were detected during our audit, we would be required to make disclosures regarding these acts to applicable government agencies. No such disclosures were required.

### **Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters during the preliminary audit phase.

### **Significant Audit Findings**

#### ***Qualitative Aspects of Accounting Practices***

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter. We will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Academy are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2019.

We noted no transactions entered into by the Academy during the year for which there is a lack of authoritative guidance or consensus.

There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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. There were no significant estimates included in this year's financial statements.

To the Board of Directors  
Faxon Language Immersion Academy  
October 25, 2019

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statements disclosures are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive disclosures included in the financial statements.

***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 trivial, and communicate them to the appropriate level of management. There were no such misstatements identified.

***Disagreements with Management***

For the purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statement 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 as of the date of the audit report.

***Management Consultants 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 consultant involves application of an accounting principle to the Academy's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

To the Board of Directors  
Faxon Language Immersion Academy  
October 25, 2019

***Other Audit Findings or Issues***

In the normal course of our professional association with the Academy, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the Academy, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition of our retention as the Academy's auditors.

**Other Information in Documents Containing Audited Financial Statements**

Our responsibility for other information in documents containing the Academy's financial statements and report does not extend beyond the financial statements. We do not have an obligation to determine whether or not such information is properly stated. However, we read the management's discussion and analysis and budgetary comparison schedule and nothing came to our attention that caused us to believe that such information, or its manner of presentation is materially inconsistent with the information or manner of its presentation in the financial statements.

In addition to the comments and recommendations in this letter, our observations and comments regarding the Academy's internal controls, including any significant deficiencies or material weaknesses that we identified, have been reported to you in the 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*.

This information is intended solely for the use of the board of directors and management of Faxon Language Immersion Academy and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

*Wilkerson & Associate PC*

Larry D. Wilkerson, CPA

To the Board of Directors  
Faxon Language Immersion Academy  
October 25, 2019

## Recommendations

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### FAXON LANGUAGE IMMERSION ACADEMY RECOMMENDATIONS

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As a result of auditing standards required to be implemented last year, the audit continues to require a strong emphasis to be placed on the Academy's internal control systems. The primary goal of internal controls is to provide a reasonable (as opposed to absolute) protection to the Academy and its assets and financial information. During this year's audit process, we noted no items that required management to make changes; therefore, no recommendations are made for this year.

## Informational Items

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### FAXON LANGUAGE IMMERSION ACADEMY

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#### GASB Statement No. 87 – Leases

This statement is effective for the first time in the Academics's June 30, 2021 financial statements. The statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows or outflows of resources based on payment provisions of the lease. The statement was issued to improve accounting and financial reporting for leases by governments. The statement establishes a single model for lease accounting for both lessees and lessors 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 will have to identify and analyze all significant lease contracts to determine the lease asset and lease liability or deferred inflow or outflow of resources that will be required to be recognized upon implementation of the standard.

## Lessee Accounting under GASB 87

A lessee should recognize a lease liability and a lease asset at the commencement of the lease term, unless the maximum lease term per the lease contract is 12 months or less, or it transfers ownership of the underlying asset. The lease liability is measured at the present value of lease payments expected to be made during the lease term (less any lease incentives). The right-to-use asset is measured at the amount of initial measurement of the lease liability, plus any payments made to the lessor at or before commencement of the lease term and certain direct costs incurred to place the leased asset in service. The lessee should reduce the lease liability as payments are made and recognize an outflow of resources (i.e., expense) for interest on the liability. The lease asset should be amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

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