

**PLYMOUTH EDUCATIONAL CENTER  
CHARTER SCHOOL**

**FEDERAL AWARDS  
SUPPLEMENTAL INFORMATION**

**JUNE 30, 2018**

# **PLYMOUTH EDUCATIONAL CENTER CHARTER SCHOOL**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Plymouth Educational Center Charter School  
Detroit, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Plymouth Educational Center Charter School (the School) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School's basic financial statements. We issued our report thereon dated October 30, 2018 which contained unmodified opinions on the financial statements of the governmental activities, each major fund and the aggregate remaining fund information. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements.

The accompanying schedule of expenditures of federal awards and reconciliation of basic financial statements federal revenue with schedule of expenditures of federal awards are presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulation Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and are not a required part of the basic financial statements. Such information is the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and reconciliation of basic financial statements federal revenue with schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Alan C. Young & Assoc.*

Detroit, Michigan  
October 30, 2018



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## 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 Directors of  
Plymouth Educational Center Charter School  
Detroit, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Plymouth Educational Center Charter School (the School) as of and for the year ended June 30, 2018, and the related notes to the financial statements which collective comprise the School's basic financial statements and have issued our report thereon dated October 30, 2018.

### Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the 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 or significant deficiencies. However, material weaknesses or significant deficiencies may exist that have not been identified.

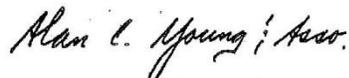
**Independent Auditor's Report on Internal  
Control over Financial Reporting and on  
Compliance and Other Matters Based on an  
Audit of Financial Statements Performed in  
Accordance with Government Auditing Standards  
(Continued)**

**Compliance and Other Matters**

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

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School'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 School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Detroit, Michigan  
October 30, 2018



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## **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors of  
Plymouth Educational Center Charter School  
Detroit, Michigan

### **Report on Compliance for Each Major Federal Program**

We have audited Plymouth Educational Center Charter School's (the School) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2018. The School's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for the School's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for major federal program. However, our audit does not provide a legal determination of the School's compliance.

### **Opinion on Major Federal Programs**

In our opinion, the School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2018.

**Independent Auditor's Report on  
Compliance for Each Major Program  
And On Internal Control over Compliance  
Required by the Uniform Guidance  
(Continued)**

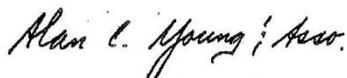
**Report on Internal Control over Compliance**

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

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

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

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



Detroit, Michigan  
October 30, 2018

# PLYMOUTH EDUCATIONAL CENTER CHARTER SCHOOL

## Schedule of Expenditures of Federal Awards June 30, 2018

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Award Amount	Accrued or (Deferred) Revenue at July 1, 2017	Current Year Receipts (Cash Basis)	Current Year Expenditures	Accrued or (Deferred) Revenue at June 30, 2018	Passed Through to Subrecipients
<b>DEPARTMENT OF AGRICULTURE</b>							
<b>Passed through the Michigan Department of Education - Child Nutrition Cluster</b>							
National School Breakfast Program Project Number 171970 Project Number 181970	10.553 10.553	\$ 124,129 <u>169,246</u>	\$ 10,059 -	\$ 29,373 <u>128,570</u>	\$ 19,314 <u>139,873</u>	\$ - <u>11,303</u>	\$ - -
Total		293,375	10,059	157,943	159,187	11,303	-
National School Lunch Program Project Number 171960 Project Number 181960	10.555 10.555	197,443 <u>278,036</u>	16,323 -	47,960 <u>206,369</u>	31,637 <u>224,471</u>	- <u>18,102</u>	- -
Total		475,479	16,323	254,329	256,108	18,102	-
After School Snack Program Project Number 171980 Project Number 181980	10.555 10.555	6,171 <u>5,370</u>	236 -	236 <u>4,939</u>	- <u>5,370</u>	- <u>431</u>	- -
Total		11,541	236	5,175	5,370	431	-
Noncash Assistance USDA Commodities	10.555	<u>37,268</u>	-	<u>37,268</u>	<u>37,268</u>	-	-
Total		37,268	-	37,268	37,268	-	-
<b>Total Child Nutrition Cluster</b>		<u>817,663</u>	<u>26,618</u>	<u>454,715</u>	<u>457,933</u>	<u>29,836</u>	-
<b>Total Department of Agriculture</b>		<u>817,663</u>	<u>26,618</u>	<u>454,715</u>	<u>457,933</u>	<u>29,836</u>	-
<b>DEPARTMENT OF EDUCATION</b>							
<b>Passed through the Michigan Department of Education Office of Elementary and Secondary Education Program</b>							
Title I, Part A - Improving Basic Programs Project Number 171530 Project Number 181530	84.010 84.010	781,993 <u>673,282</u>	6,549 -	88,756 <u>594,579</u>	82,207 <u>594,868</u>	- <u>289</u>	- -
Total		1,455,275	6,549	683,335	677,075	289	-
Title II, Part A - Teacher/Principal Training Project Number 170520 Project Number 180520	84.367 84.367	106,813 <u>90,965</u>	680 -	7,872 <u>35,500</u>	7,192 <u>40,296</u>	- <u>4,796</u>	- -
Total		197,778	680	43,372	47,488	4,796	-
Title IV, Part A - Student Support & Academic Enrichment Program Project Number 180750	84.424	<u>10,448</u>	-	<u>10,448</u>	<u>10,448</u>	-	-
Total		10,448	-	10,448	10,448	-	-
<b>Total Programs Passed through the Michigan Department of Education</b>		<u>1,663,501</u>	<u>7,229</u>	<u>737,155</u>	<u>735,011</u>	<u>5,085</u>	-
<b>Passed through Wayne County RESA</b>							
IDEA Flow through - Special Education Grants to State IDEA Flow through 16-17 IDEA Flow through 17-18	84.027A 84.027A	96,390 <u>91,953</u>	8,060 -	8,060 <u>91,953</u>	- <u>91,953</u>	- -	- -
<b>Total Passed through Wayne County RESA</b>		<u>188,343</u>	<u>8,060</u>	<u>100,013</u>	<u>91,953</u>	-	-
<b>TOTAL FEDERAL AWARDS</b>		<u>\$ 2,669,507</u>	<u>\$ 41,907</u>	<u>\$ 1,291,883</u>	<u>\$ 1,284,897</u>	<u>\$ 34,921</u>	<u>\$ -</u>

See notes to Schedule of Expenditure of Federal Awards.

# **PLYMOUTH EDUCATIONAL CENTER CHARTER SCHOOL**

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## **Reconciliation of Basic Financial Statements Federal Revenue with Schedule of Expenditures of Federal Awards Year Ended June 30, 2018**

Revenue from Federal Sources - As Reported on Financial Statements (includes all funds).	\$ 1,292,113
E-Rate Revenue not included in Schedule of Expenditures of Federal Awards	<u>(7,216)</u>
Federal Expenditures per the Schedule of Expenditures of Federal Awards.	<u>\$ 1,284,897</u>

*See notes to Schedule of Expenditure of Federal Awards.*

# **PLYMOUTH EDUCATIONAL CENTER CHARTER SCHOOL**

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**Notes to Schedule of Expenditures  
Of Federal Awards  
June 30, 2018**

## **1) BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING PRINCIPLES**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Plymouth Educational Center Charter School (the School). The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the School and therefore it is not intended to and does not present the financial position, changes in net assets of the School for year ended June 30, 2018. Expenditures reported on the schedule are reported on the accrual basis of accounting. In addition, expenditures reported on the schedule are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditure are not allowed or are limited as to reimbursement. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

## **2) GRANT SECTION AUDITOR'S REPORT**

Management has utilized the Cash Management System (CMS) Grant Auditor's Report preparing the Schedule of Expenditures of Federal Awards. Unreconciled differences, if any, have been disclosed to the auditor.

## **3) INDIRECT COST RATE**

The School has elected not to use the de minimis indirect cost rate allowed under the Uniform Guidance.

## **4) SUBSEQUENT EVENTS**

All subsequent events related to the major programs were evaluated through October 30, 2018, the date the accompanying reports were available to be issued. No significant event was noted that required adjustment or disclosure in the accompanying reports.

# PLYMOUTH EDUCATIONAL CENTER CHARTER SCHOOL

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2018

## SECTION I - SUMMARY OF AUDITOR'S RESULTS

### Financial Statements

Type of Auditor's Report Issued: Unmodified

Internal Control over Financial Reporting:

- Material Weakness (es) Identified?        Yes   X   No
- Significant Deficiencies Identified?        Yes   X   No
- Non-Compliance Material to Financial Statements noted?        Yes   X   No

### Federal Awards

Internal Control over Major Programs:

- Material Weakness (es) Identified?        Yes   X   No
- Significant Deficiencies Identified?        Yes   X   No

Type of Auditor's Report issued on Compliance for Major Programs: Unmodified

Any Audit Findings Disclosed that is Required to be Reported in Accordance with 2 CFR 200.516(a)?        Yes   X   No

### Identification of Major Programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I, Part A – Improving Basic Programs

Dollar Threshold used to Distinguish between Type A and B Programs: \$750,000

Auditee Qualified as Low Risk Auditee?   X   Yes        No

# **PLYMOUTH EDUCATIONAL CENTER CHARTER SCHOOL**

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Schedule of Findings and Questioned Costs (Continued)  
Year Ended June 30, 2018

## **SECTION II – FINANCIAL STATEMENT AUDIT FINDINGS**

No Financial Statement audit findings noted.

# **PLYMOUTH EDUCATIONAL CENTER CHARTER SCHOOL**

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Schedule of Findings and Questioned Costs (Continued)  
Year Ended June 30, 2018

## **SECTION III – FEDERAL PROGRAM AUDIT FINDINGS**

No Federal Program audit findings noted.

# PLYMOUTH EDUCATIONAL CENTER CHARTER SCHOOL

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Status of Prior Year Findings  
Year Ended June 30, 2018

## SECTION II – FINANCIAL STATEMENT AUDIT FINDINGS

Reference Number	Findings
2017-001	<p data-bbox="423 541 1195 567"><b>Finding Type</b> – Noncompliance with Laws and Regulations</p> <p data-bbox="423 621 1446 751"><b>Criteria</b> – For the year ended June 30, 2017 the School’s expenses exceeded the final budgeted level for several categories and total expenditures exceeded the final budgeted level by \$46,421. Expenditures in excess of budgeted amounts are a violation of State law.</p> <p data-bbox="423 806 1284 831"><b>Status</b> – This was resolved and is not a finding in the current year.</p>

**PLYMOUTH EDUCATIONAL CENTER  
CHARTER SCHOOL**

**FINANCIAL REPORT  
WITH  
SUPPLEMENTAL INFORMATION**

**JUNE 30, 2018**

# PLYMOUTH EDUCATIONAL CENTER CHARTER SCHOOL

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
Plymouth Educational Center Charter School  
Detroit, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Plymouth Educational Center Charter School (the School) as of and for the year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain 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 School'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 of the effectiveness of the School's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## 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 the School as of June 30, 2018 and the respective changes in financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

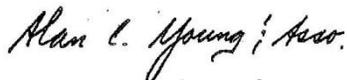
## Other Matters

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

## Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 30, 2018 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of law, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the School's internal control over financial reporting and compliance.



Detroit, Michigan  
October 30, 2018

# PLYMOUTH EDUCATIONAL CENTER CHARTER SCHOOL

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## Management's Discussion and Analysis June 30, 2018

As management of the Plymouth Educational Center (the School), we offer readers of the School's financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

### FINANCIAL HIGHLIGHTS

- In recent years, the School's per pupil revenue has slightly increased resulting from increase in Pupil Foundation Allowance. The School anticipates realizing a slight increase in state aid funding per pupil allocation.
- The School remains committed to maintaining competitive starting teacher salaries and fringe benefits. This strategy helps recruit and retain highly qualified teachers. Teacher salaries and fringe benefits account for approximately 27% of total expenditures.
- The General Fund received \$5,171,792 in revenue, which primarily consisted of the State Foundation grant, federal grants, fundraising proceeds, and bank interest. Excluding inter-fund transfers, there was \$4,271,424 in General Fund expenditures.
- The School continues to focus on improving its cash position. This is a focus of the administration and will be achieved by reducing expenses and seeking additional funding.

### OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Plymouth Education Center Charter School's (the School) basic financial statements. The School's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

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

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

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

The government-wide financial statements outline functions of the School that are principally supported by State Aid and intergovernmental revenues (Federal grants). The governmental activities of the School include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed assets and related debt are supported by State Aid and intergovernmental revenues.

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

# PLYMOUTH EDUCATIONAL CENTER CHARTER SCHOOL

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Management's Discussion and Analysis (Continued)  
June 30, 2018

## OVERVIEW OF FINANCIAL STATEMENTS (Continued)

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the School, liabilities exceeded assets and deferred outflows by \$767,551 as of June 30, 2018. This increased the net deficit by \$86,826 over last year.

One portion of the School's net position reflects its net investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment.) less any related debt used to acquire those assets that is still outstanding. The School uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the School's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The School's financial position is the product of all financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

# PLYMOUTH EDUCATIONAL CENTER CHARTER SCHOOL

Management's Discussion and Analysis (Continued)  
June 30, 2018

## GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

### Net Position as of June 30, 2018 and 2017

The following shows a comparison of the School's statements of net position as of June 30, 2018 and 2017.

	<u>2018</u>	<u>2017</u>
<b>Assets</b>		
Current Assets	\$ 2,577,536	\$ 2,634,936
Noncurrent Assets	7,579,098	7,891,484
<b>Total Assets</b>	<u>10,156,634</u>	<u>10,526,420</u>
<b>Deferred Outflow</b>		
Deferred Loss on Bond Issuance	696,146	773,495
<b>Total Deferred Outflow</b>	<u>696,146</u>	<u>773,495</u>
<b>Liabilities</b>		
Current Liabilities	375,558	353,880
Noncurrent Liabilities	11,244,773	11,626,760
<b>Total Liabilities</b>	<u>11,620,331</u>	<u>11,980,640</u>
<b>Net Position</b>		
Net Investment in Capital Assets	(3,665,675)	(3,735,276)
Restricted	1,708,494	1,750,160
Unrestricted	1,189,630	1,304,391
<b>Total Net Position</b>	<u>\$ (767,551)</u>	<u>\$ (680,725)</u>

### Change in Net Position for the years ending June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<b>Revenue</b>		
<b>Program Revenues:</b>		
Charges for Services	\$ 20,988	\$ 24,117
Federal and State Categorical Grants	1,717,096	1,657,312
<b>General Revenues:</b>		
State Aid-Unrestricted	3,772,008	3,750,895
Other	149,225	145,145
<b>Total Revenues</b>	<u>5,659,317</u>	<u>5,577,469</u>
<b>Expenses</b>		
Instruction	1,835,913	1,899,230
Support Services	2,370,533	2,785,740
Community Services	46,198	8,252
Food Services	493,880	500,521
Interest on Long-term Debt	624,444	619,676
Unallocated Depreciation	252,302	252,302
Refunding Bond Expenses	77,349	77,349
Other	45,524	-
<b>Total Expenses</b>	<u>5,746,143</u>	<u>6,143,070</u>
<b>Decrease in Net Position</b>	<u>\$ (86,826)</u>	<u>\$ (565,601)</u>

# PLYMOUTH EDUCATIONAL CENTER CHARTER SCHOOL

Management's Discussion and Analysis (Continued)  
June 30, 2018

## FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

The performance of the School as a whole is reflected in its governmental funds. As the School completed its year, its governmental funds reported combined fund balances of \$2.3 million, including a fund balance in the General Fund of \$589,698. The General Fund balance experienced a decrease of \$39, over last year.

The following table presents a summary of general fund revenue and expense for the fiscal years ended June 30, 2018 and 2017.

	<u>2018</u>	<u>2017</u>
<b>REVENUES</b>		
Local Revenue Sources	\$ 140,621	\$ 145,145
State Revenue Sources	4,196,991	4,028,164
Federal Revenue	834,180	936,120
<b>Total Revenues</b>	<u>5,171,792</u>	<u>5,109,429</u>
<b>EXPENSES</b>		
Instruction	1,814,619	1,800,426
Pupil Support	346,804	284,472
Instructional Staff	298,291	397,038
General Administration	102,708	62,008
Executive Administration	411,694	231,998
School Administration	175,769	223,013
Business Services	65,797	235,706
Maintenance and Operations	572,363	858,692
Transportation	134,684	137,586
Community Services	46,198	8,252
Other	223,633	175,239
Debt Service Payments	78,864	71,624
<b>Total Expenses</b>	<u>4,271,424</u>	<u>4,486,054</u>
<b>Other Financing Sources (uses)</b>		
Transfers Out	<u>(939,631)</u>	<u>(933,161)</u>
<b>Excess (Deficiency) of Revenue Over Expenditures</b>	<u>\$ (39,263)</u>	<u>\$ (309,786)</u>

Also, note that \$939,631 and \$933,161 were transferred to the debt service fund for funding of the School's bonded debt for the years ended June 30, 2018 and 2017 respectively.

### General Fund Revenue

The majority of revenue was derived from state funding (81.2%) with federal funding making up 16.1% of total revenue. There was also local revenue from private grants and fundraising making up 2.7% of total revenue.

# **PLYMOUTH EDUCATIONAL CENTER CHARTER SCHOOL**

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**Management's Discussion and Analysis (Continued)**  
**June 30, 2018**

## **FINANCIAL ANALYSIS OF SCHOOL'S FUNDS (Continued)**

### **Expenditure Allocation**

Instruction accounted for \$1,814,619 or 42.5% of the general fund expenses. Other significant expense categories were maintenance and operations (\$572,363, 13.4%) and executive administration (\$411,694, 9.6%).

### **Comments on Budget Comparisons**

- The School's total revenues for the fiscal year ended June 30, 2018 including all funds and net of Inter-fund transfers and Other Financing Sources, were approximately \$5.2 million.
- General fund budget compared to actual expenditures varied slightly from line item to line item with the ending actual balance being \$1,096 less than the budget.
- The total cost of all programs and services within the general fund was \$4.3 million.
- Over the course of the year, the School revises its budget as unexpected changes in revenues and expenditures arise. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the School's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements. The School exceeded the budget for basic instruction, pupil support, instructional staff, business services, transportation and community services
- During the 2017-2018 year, the School's General Fund's fund balance decreased by \$39,263. The School will continue to follow the procedures recently put in place to ensure that each year the School improves its financial position in the midst of an uncertain economic environment.

# PLYMOUTH EDUCATIONAL CENTER CHARTER SCHOOL

Management's Discussion and Analysis (Continued)  
June 30, 2018

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

By the end of 2018, the School had \$7.6 million (net of depreciation) invested in a broad range of capital assets, including buildings, athletic field improvements, landscaping, playground equipment, furniture, and computer and audio-visual equipment. Total depreciation for the year was \$312,386.

	<u>2018</u>	<u>2017</u>
Land	\$ 308,300	\$ 308,300
Building and Building Improvements	11,254,415	11,254,415
Furniture and Equipment	2,466,453	2,466,453
<b>Total</b>	<u>\$ 14,029,168</u>	<u>\$ 14,029,168</u>

### Debt

At the end of this year, the School had \$11,244,773 in outstanding long-term debt versus \$11,626,760 in the previous year – a decrease of 3.3%.

\$453,747 of long-term debt is scheduled to be retired in the 2018-2019 fiscal year.

## BUDGETARY IMPLICATIONS

In Michigan the public school fiscal year is July 1-June 30; other programs, i.e. some federal, operate on a different fiscal calendar, but are reflected in the School overall budget.

### Economic Factors and Next Year's Budgets and Rates

The School considers many factors when setting the School's 2018-2019 fiscal year budgets. One of the most important factors affecting the budget is our student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2019 fiscal year is 10 percent of the February 2018 student count and 90 percent of the October 2018 student count. The all-inclusive budget was adopted in June 2018 based on an estimate of students that will be enrolled in September 2018. Approximately 89% of total General Fund revenue is from the foundation allowance. The State of Michigan 2018-2019 Foundation Allowance will be \$7,871 per student.

Under State law the School cannot assess property taxes for additional revenue for general operations. As a result, the School is heavily dependent on the State's ability to fund school operations. Based on early enrollment data at the start of the 2019 school year, we anticipate that the Fall count will be close to the estimates used in creating the 2018-2019 budgets. Once the final student count and related pupil funding are validated, State law requires the School to amend the budget if actual School resources are not sufficient to fund original appropriations.

# **PLYMOUTH EDUCATIONAL CENTER CHARTER SCHOOL**

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**Management's Discussion and Analysis (Continued)**  
**June 30, 2018**

## **BUDGETARY IMPLICATIONS (Continued)**

Since the School's revenue is heavily dependent on State funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenue to fund its appropriations to public schools and public school Academies. The School will continue to diligently monitor its spending and budget closely.

Questions regarding this report should be directed to LaShanda Thomas the Chief Financial Administrative Officer, **(313) 831-3280** or by mail at **1460 East Forest, Detroit, Michigan 48207**.

# PLYMOUTH EDUCATIONAL CENTER CHARTER SCHOOL

Statement of Net Position  
June 30, 2018

	<b>Governmental Activities</b>
<b>Assets:</b>	
Cash and Investments (Note 3)	\$ 98,147
Accounts Receivable (Note 4)	13,762
Due from other Governmental Units (Note 4)	813,363
Prepaid Expenses	238,569
Restricted Cash (Note 3)	1,413,695
Capital Assets - Net (Note 5)	7,579,098
<b>Total Assets</b>	<u>10,156,634</u>
 <b>Deferred Outflow of Resources:</b>	
Deferred Loss on Bond Issuance (Note 7)	696,146
<b>Total Deferred Outflow of Resources</b>	<u>696,146</u>
 <b>Liabilities:</b>	
Accounts Payable	276,888
Accrued Liabilities	98,670
Long-Term Liabilities (Note 7):	
Due within One Year	453,747
Due in More than One Year	10,791,026
<b>Total Liabilities</b>	<u>11,620,331</u>
 <b>Net Position:</b>	
Net Investment in Capital Assets	(3,665,675)
Restricted:	
Debt Service Fund	1,375,853
Cafeteria Fund	332,641
Unrestricted	1,189,630
<b>Total Net Position</b>	<u>\$ (767,551)</u>

*The notes to financial statements are an integral part of this statement.*

# PLYMOUTH EDUCATIONAL CENTER CHARTER SCHOOL

## Statement of Activities Year Ended June 30, 2018

Functions/Programs	Program Revenues			Governmental Activities
	Expenses	Charges for Services	Operating Grants/ Contributions	Net (Expense) Revenue and Changes in Net Position
Primary Government-Governmental Activities:				
Instruction	\$ 1,835,913	\$ -	\$ 625,446	\$ (1,210,467)
Support Services	2,370,533	-	587,519	(1,783,014)
Community Services	46,198	-	46,198	-
Food Services	493,880	20,988	457,933	(14,959)
Interest on Long-Term Debt	624,444	-	-	(624,444)
Depreciation (Unallocated)	252,302	-	-	(252,302)
Refunding Bond Expenses	77,349	-	-	(77,349)
Other	45,524	-	-	(45,524)
<b>Total Primary Government-Governmental Activities</b>	<b>5,746,143</b>	<b>20,988</b>	<b>1,717,096</b>	<b>(4,008,059)</b>
<b>General Revenues:</b>				
State Aid not restricted to specific purposes				3,772,008
Other				149,225
		<b>Total General Revenues</b>		<b>3,921,233</b>
Change in Net Position				(86,826)
Net Position-Beginning of Year				(680,725)
<b>Net Position-End of Year</b>				<b>\$ (767,551)</b>

The notes to financial statements are an integral part of this statement.

# PLYMOUTH EDUCATIONAL CENTER CHARTER SCHOOL

## Governmental Funds Balance Sheet June 30, 2018

	Major Funds		Non-Major Fund	Total Governmental Funds
	General Fund	Debt Service Fund	Cafeteria Fund	
<b>ASSETS</b>				
Cash and Investments (Note 3)	\$ 98,147	\$ -	\$ -	\$ 98,147
Accounts Receivable (Note 4)	13,762	-	-	13,762
Due from Other Governmental Units (Note 4)	783,527	-	29,836	813,363
Due from Other Funds (Note 6)	37,842	-	333,381	371,223
Prepaid Expenses	238,569	-	-	238,569
Restricted Cash (Note 3)	-	1,413,695	-	1,413,695
<b>Total Assets</b>	<b>\$ 1,171,847</b>	<b>\$ 1,413,695</b>	<b>\$ 363,217</b>	<b>\$ 2,948,759</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts Payable	246,312	-	30,576	276,888
Due to Other Funds (Note 6)	333,381	37,842	-	371,223
Accrued Liabilities	2,456	-	-	2,456
<b>Total Liabilities</b>	<b>582,149</b>	<b>37,842</b>	<b>30,576</b>	<b>\$ 650,567</b>
<b>Fund Balances:</b>				
Nonspendable	238,569	-	-	238,569
Restricted	-	1,375,853	332,641	1,708,494
Unassigned	351,129	-	-	351,129
<b>Total Fund Balances</b>	<b>589,698</b>	<b>1,375,853</b>	<b>332,641</b>	<b>2,298,192</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,171,847</b>	<b>\$ 1,413,695</b>	<b>\$ 363,217</b>	<b>\$ 2,948,759</b>

The notes to financial statements are an integral part of this statement.

# PLYMOUTH EDUCATIONAL CENTER CHARTER SCHOOL

## Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position Year Ended June 30, 2018

	<u>Amount</u>
<b>Fund Balance-Total Governmental Funds</b>	\$ 2,298,192
Amounts Reported for Governmental Activities in the Statement of Net Assets are Different because:	
Capital Assets Used in Governmental Activities are not Financial Resources and are not Reported in the Governmental Funds:	
The Cost of Capital Assets is	14,029,168
Accumulated Depreciation is	<u>(6,450,070)</u>
	7,579,098
Long-Term Liabilities are not Due and Payable in the Current Period and are not Reported in the Governmental Funds:	
2006 Bonds	(10,590,000)
Loan Payable	(261,639)
Other	(393,134)
Accrued Interest Payable is not included as a Liability in Governmental Funds	(96,214)
Loss on Bond Issuance is Amortized over the Life of the Bond Issues in the Governmental Activities	<u>696,146</u>
<b>Net Position - Governmental Activities</b>	<u>\$ (767,551)</u>

*The notes to financial statements are an integral part of this statement.*

# PLYMOUTH EDUCATIONAL CENTER CHARTER SCHOOL

## Governmental Funds Statement of Revenue, Expenditures and Changes in Fund Balances Year Ended June 30, 2018

	Major Funds		Non- Major Fund	Total Governmental Funds
	General Fund	Debt Service Fund	Cafeteria Fund	
<b>Revenue:</b>				
Local Sources	\$ 140,621	\$ 8,604	\$ 20,988	\$ 170,213
State Sources	4,196,991	-	-	4,196,991
Federal Sources	834,180	-	457,933	1,292,113
<b>Total Revenue</b>	<u>5,171,792</u>	<u>8,604</u>	<u>478,921</u>	<u>5,659,317</u>
<b>Expenditures:</b>				
<u>Current:</u>				
Instruction	1,814,619	-	-	1,814,619
Support Services	2,331,743	-	-	2,331,743
Community Services	46,198	-	-	46,198
Food Services	-	-	493,880	493,880
<u>Debt Service:</u>				
Principal	31,987	350,000	-	381,987
Interest	46,877	579,418	-	626,295
Other	-	45,524	-	45,524
<b>Total Expenditures</b>	<u>4,271,424</u>	<u>974,942</u>	<u>493,880</u>	<u>5,740,246</u>
<b>Excess (Deficiency) of Revenue Over Expenditures</b>	<u>900,368</u>	<u>(966,338)</u>	<u>(14,959)</u>	<u>(80,929)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In (Note 5)	-	939,631	-	939,631
Transfers Out (Note 5)	(939,631)	-	-	(939,631)
<b>Total Other Financing Sources (Uses)</b>	<u>(939,631)</u>	<u>939,631</u>	<u>-</u>	<u>-</u>
Net Changes in Fund Balances	(39,263)	(26,707)	(14,959)	(80,929)
Fund Balances-Beginning of Year	628,961	1,402,560	347,600	2,379,121
<b>Fund Balances-End of Year</b>	<u>\$ 589,698</u>	<u>\$ 1,375,853</u>	<u>\$ 332,641</u>	<u>\$ 2,298,192</u>

*The notes to financial statements are an integral part of this statement.*

# PLYMOUTH EDUCATIONAL CENTER CHARTER SCHOOL

## Reconciliation of the Statement of Revenue, Expenditures, And Changes in Fund Balances of Governmental Funds To the Statement of Activities Year Ended June 30, 2018

	<u>Amount</u>
<b>Net Change in Fund Balance-Total Governmental Funds</b>	\$ (80,929)
Amounts Reported for Governmental Activities in the Statement of Activities are Different because:	
Governmental Funds Report Capital Outlay as expenditures; in the Statement of Activities, these Costs are Allocated Over their Estimated Useful Lives as Depreciation:	
Depreciation Expense	(312,386)
Accrued Interest is Recorded in the Statement of Activities when Incurred; it is not Reported in Governmental Funds until Paid.	1,851
Repayment of Bond Principal and Note Obligations are an Expenditures in the Governmental Funds, but not in Statement of Activities (where it reduces long-term debt).	381,987
Unamortized Loss on Bond Issuance is shown as Expenditure in the Governmental Funds, but is Allocated over the Life of the Issuance in the Statement of Activities.	<u>(77,349)</u>
<b>Change in Net Position of Governmental Activities</b>	<u>\$ (86,826)</u>

*The notes to financial statements are an integral part of this statement.*

# PLYMOUTH EDUCATIONAL CENTER CHARTER SCHOOL

Notes to Financial Statements  
June 30, 2018

## 1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Plymouth Educational Center Charter School (the School) conform to generally accepted accounting principles as applicable to charter schools. The following is a summary of the significant policies:

### Reporting Entity

Plymouth Educational Center Charter School is a public school. The State of Michigan has delegated to Central Michigan University the responsibility of authorizing the establishment of public school academies and Central Michigan University approved the establishment of Plymouth Educational Center Charter School and Plymouth Educational Center Charter School was established pursuant to the Michigan School Code of 1976 ("Code"), as amended by Act No. 362 of the Public Acts of 1993, being Part 6A, Sections 380.501 to 380.507 of the Michigan Compiled Laws, and Act No. 416 of the Public Acts of 1994, being Part 6B, Sections 380.511 and 380.518 of the Michigan Compiled Laws. Central Michigan University receives three percent of the state aid funds as an administrative fee. The total administrative fee for the year ended June 30, 2018, paid to the Central Michigan University was \$112,522

The accompanying general purpose 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 or financial relationships with the School. Based on application of the criteria, the entity does not contain component units.

### Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the primary government. The effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the School'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 revenues. 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 or capital requirements of a particular function. Intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

# PLYMOUTH EDUCATIONAL CENTER CHARTER SCHOOL

Notes to Financial Statements (Continued)  
June 30, 2018

## 1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Measurement Focus, Basis of Accounting, and Financial Statement Presentation

**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.

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

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.

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

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

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

The School reports the following major governmental funds:

**General Fund** - This fund is used to account for all operational activities of the School. The General Fund includes the current operating expenditures of the School. Revenues are derived primarily from the State of Michigan.

**Debt Service Fund** - This fund is used to record activity related to the payment of interest, principal and other expenditures on long-term debt.

# PLYMOUTH EDUCATIONAL CENTER CHARTER SCHOOL

Notes to Financial Statements (Continued)  
June 30, 2018

## 1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

#### **Fund Financial Statements (Continued)**

Additionally, the School reports the following fund types:

**Special Revenue Fund – Cafeteria Fund** – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes and transactions of the School's cafeteria program. The School maintains full control of these funds.

#### Assets, Liabilities, and Net Position

**Cash and Investments** – Cash and investments include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

**Receivables and Payables** – In general outstanding balances between funds are reported as “due to/from other funds.” Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “advances to/from other funds.”

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

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

**Capital Assets** – Capital assets, which include land, buildings and improvements, and equipment, are reported in the applicable governmental column in the district-wide financial statements. Capital assets are defined by the School as assets with an initial individual cost of more than \$5,000. 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 School does not have infrastructure-type assets.

Buildings and equipment are depreciated using the straight-line method over the following useful lives:

Building and Building Additions	25-50 years
Furniture and Other Equipment	10 years
Automobiles	5 years

# PLYMOUTH EDUCATIONAL CENTER CHARTER SCHOOL

Notes to Financial Statements (Continued)  
June 30, 2018

## 1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

**Deferred Outflows of Resources** – In addition to assets, the statement of net position sometimes reports a separate section for deferred outflow of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of the net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School's deferred loss on bond issuance is considered a deferred outflow of resources.

**Long-term Obligations** – In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

**Deferred Inflows of Resources** – The statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources represent 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 School did not have any items classified as deferred inflow of resources at June 30, 2018.

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

- **Nonspendable** – Amounts that are not in spendable form or are legally or contractually required to be maintained intact.
- **Restricted** – Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use of a specific purpose.
- **Committed** – Amounts that have been formally set aside by the Board of Education for use for specific purposes. Commitments are made and can be rescinded only via resolution of the Board of Education.
- **Assigned** – Intent to spend resources on specific purposes expressed by the Board of Education, superintendent, or director of finance, who is authorized by policy, and approved by the Board of Education to make assignments.
- **Unassigned** – Amounts that do not fall into any other category above. This is the residual classification for amounts in the General Fund and represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes in the General Fund. In other government funds, only negative unassigned amounts are reported, if any, and represent expenditures incurred for specific purposes exceeding the amounts previously restricted, committed, or assigned to those purposes.

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

# PLYMOUTH EDUCATIONAL CENTER CHARTER SCHOOL

Notes to Financial Statements (Continued)  
June 30, 2018

## 1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

## 2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

### Budgetary Information

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

The budget document presents information by fund function and object. 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 object level. State law requires the School to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year. During the year, the budget was amended in a legally permissible manner.

### Excess of Expenditures Over Appropriations in Budgeted Funds

During the year, the School incurred expenditures in the General Fund, which were in excess of the amounts budgeted by more than 5% as follows:

	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
<b>Expenditures:</b>			
<u>Support Services</u>			
Instructional Staff	255,879	298,291	42,412
Business Services	49,504	65,797	16,293

**Grants** – Amounts received or receivable from grantor agencies are subject to audit and adjustment by the grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, would become a liability of the General Fund. In the School's opinion, any disallowed claims will not have a material effect on the financial statements as of and for the year June 30, 2018.

# PLYMOUTH EDUCATIONAL CENTER CHARTER SCHOOL

Notes to Financial Statements (Continued)  
June 30, 2018

## 3) DEPOSITS AND INVESTMENTS

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

The School has designated two banks for the deposit of its funds.

The investment policy adopted by the Board has authorized investments as listed in the State statutory authority as listed above.

All of the School's investments held by the debt service fund are cash and cash equivalents and do not fall under the guidance of GASB 72.

The School's cash and investments are subject to several types of risk, which are 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 School's deposits may not be returned to it. The School's investment policy requires that financial institutions be evaluated and only those with an acceptable risk level are used for the School's deposits for custodial credit risk. At year end, the School deposit balance of \$1,526,982 had \$1,423,108 of bank deposits (checking and saving accounts and money market funds) that were uninsured and uncollateralized. The School believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the School evaluates each financial institution it deposits funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

### Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the School will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School's policy for custodial credit risk states custodial credit risk will be minimized by limiting investments to the types of securities allowed by state law. The School does not have investments with custodial credit risk.

### Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The School's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity. The School's policy minimizes interest rate risk 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 School's cash requirements.

# PLYMOUTH EDUCATIONAL CENTER CHARTER SCHOOL

Notes to Financial Statements (Continued)  
June 30, 2018

## 3) DEPOSITS AND INVESTMENTS (Continued)

### Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The School's investment policy does not further limit its investment choices. The School held no such investments at June 30, 2018.

### Foreign Currency Risk

Foreign currency risk is the risk that an investment denominated in the currency of a foreign country could reduce its U.S. dollar value, as a result of changes in foreign currency exchange rates. State law and the School's policy prohibit investment in foreign currency.

### Restricted Cash

Restricted cash represents cash held at US Bank used to make debt service payments on the Academy's 2006 bonds.

## 4) RECEIVABLES AND UNEARNED REVENUE

Receivables as of year-end for the School's individual major and nonmajor funds in the aggregate are as follows:

	<u>General Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
<b>Receivables:</b>			
Intergovernmental	\$ 783,527	\$ 29,836	\$ 813,363

Governmental funds report deferred inflows in connection with receivables for revenue that are 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. At the end of the current fiscal year, the School had no unearned revenue or deferred inflows.

# PLYMOUTH EDUCATIONAL CENTER CHARTER SCHOOL

Notes to Financial Statements (Continued)  
June 30, 2018

## 5) CAPITAL ASSETS

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

	Balance July 1, 2017	Additions	Balance June 30, 2018
<b>Capital Assets not Being Depreciated:</b>			
Land	\$ 308,300	\$ -	\$ 308,300
<b>Capital Assets Being Depreciated:</b>			
Building and Building Improvements	10,554,365	-	10,554,365
Assets under Capital Lease	700,050	-	700,050
Furniture and Equipment	1,195,693	-	1,195,693
Site Improvements	1,247,281	-	1,247,281
Automobile	23,479	-	23,479
<b>Subtotal</b>	<u>14,029,168</u>	<u>-</u>	<u>14,029,168</u>
<b>Accumulated Depreciation:</b>			
Building and Building Improvements	3,588,720	252,302	3,841,022
Assets under Capital Lease	700,050	-	700,050
Furniture and Equipment	1,195,693	-	1,195,693
Site Improvements	629,742	60,084	689,826
Automobile	23,479	-	23,479
<b>Subtotal</b>	<u>6,137,684</u>	<u>312,386</u>	<u>6,450,070</u>
<b>Net Governmental Capital Assets</b>	<u>\$ 7,891,484</u>	<u>\$ (312,386)</u>	<u>\$ 7,579,098</u>

Depreciation on the building and improvements \$252,302 is unallocated. All other depreciation is allocation between instruction, \$21,294 and support services \$38,790.

## 6) INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of inter-fund balances is as follows:

Fund Due To	Fund Due From		Total
	General Fund	Debt Service Fund	
Cafeteria Fund	\$ 333,381	\$ -	\$ 333,381
General Fund	-	37,842	37,842
<b>Total</b>	<u>\$ 333,381</u>	<u>\$ 37,842</u>	<u>\$ 371,223</u>

Inter-fund receivables and payables occur during the normal course of business and are settled routinely during the year. The agency fund balance due to the general fund is a result of student activity fund expenditures being paid out of the general fund and subsequently reimbursed by the student activity fund.

# PLYMOUTH EDUCATIONAL CENTER CHARTER SCHOOL

Notes to Financial Statements (Continued)  
June 30, 2018

## 6) INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Continued)

### Inter-fund Transfers

	<u>Transfers Out- General Fund</u>
Transfers in-Debt Service Fund	<u>\$ 939,631</u>

Inter-fund transfers provide General Fund support to the Debt Service Fund.

## 7) LONG-TERM DEBT

The School issues bonds, notes and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School. Notes and installment purchase agreements are also general obligations of the School.

Long-term obligation activity can be summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities:</b>					
2006 Bond	\$ 10,940,000	\$ -	\$ 350,000	\$ 10,590,000	\$ 365,000
Skillman Foundation Loan	285,700	-	24,061	261,639	61,105
Loan	401,060	-	7,926	393,134	27,642
<b>Total Governmental Activities</b>	<u>\$ 11,626,760</u>	<u>\$ -</u>	<u>\$ 381,987</u>	<u>\$ 11,244,773</u>	<u>\$ 453,747</u>

The School has issued \$13,850,000 in revenue and refunding bonds due in annual installments of \$225,000 to \$890,000 through November 2035, with interest ranging from 4% to 5.625%.

These bonds contain certain minimum fund balance covenants. The School must maintain an unrestricted fund balance in its general fund which equals not less than an amount calculated as a percentage of operating expenses for the prior school year. This percentage ranges from 5% to 10% depending upon various criteria. If the minimum fund balance falls below the required amount as of June 30, the School must retain on an annual basis a minimum of 50% of excess net revenues until the School is in compliance with the minimum fund balance requirement. The School was in compliance with this covenant at June 30, 2018.

# PLYMOUTH EDUCATIONAL CENTER CHARTER SCHOOL

Notes to Financial Statements (Continued)  
June 30, 2018

## 7) LONG-TERM DEBT (Continued)

**Public School Subordinate Revenue Bond, Series 2013B** – In 2013-14, The School issued \$300,000 in revenue bonds with interest rate of 2% and due in 2021.

The proceeds of these bonds were used to fund the purchase of real property and school facility.

**Long-term Loan Payable** – In 2010, The School entered into a \$605,000 capital improvement loan with City First Bank. The loan carries an interest rate of 4.50% and is due December 2025.

The annual requirements to service the long-term debt outstanding to maturity, including both principal and interest are as follows:

<u>Year Ended</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	453,747	582,814	1,036,561
2020	441,683	561,802	1,003,485
2021	484,472	539,441	1,023,913
2022	517,772	515,545	1,033,317
2023	540,479	490,544	1,031,023
2024-2028	2,820,580	2,033,538	4,854,118
2029-2033	3,461,040	1,193,038	4,654,078
2033-2035	2,525,000	216,141	2,741,141
<b>Total</b>	<b>\$ 11,244,773</b>	<b>\$ 6,132,863</b>	<b>\$ 17,377,636</b>

**Defeased Debt** – During 2006, the School issued \$13,850,000 in revenue and refunding bonds with interest rates ranging between 4.0% and 5.625%. The proceeds of these bonds were used to advance refund \$11,100,000 of outstanding certificate serial bonds with interest rates ranging between 7.0 % and 12.5%. The net proceeds of \$12,801,683 (after payment of \$797,245 in underwriting fees, insurance, and other issuance costs, as well as funds being utilized for capital projects) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the original bonds. As a result, the bonds are considered to be defeased and the liability for the bonds has been removed from the School's financial records. The outstanding balance on the defeased bonds at June 30, 2017 was \$6,815,000.

**Loss on Bond Issuance** – The loss on bond issuance of \$1,701,683 (proceeds of \$12,801,683 deposited with escrow agent less \$11,100,000 outstanding balance on defeased bonds) is being amortized over the weighted average life remaining on the defeased bonds. The unamortized balance at June 30, 2018 was \$696,146.

# **PLYMOUTH EDUCATIONAL CENTER CHARTER SCHOOL**

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**Notes to Financial Statements (Continued)**  
**June 30, 2018**

**8)      OUTSOURCED STAFFING**

The School has entered into an agreement with Advantage Staffing to provide staffing and benefits. As such, Advantage Staffing is the employer of record for all of the School's employees.

**9)      SUBSEQUENT EVENTS**

Subsequent events have been evaluated through October 30, 2018 the date the financial statements were available to be issued.

## **REQUIRED SUPPLEMENTAL INFORMATION**

# PLYMOUTH EDUCATIONAL CENTER CHARTER SCHOOL

## Required Supplemental Information Budgetary Comparison Schedule-General Fund Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
<b>Revenue:</b>				
Local Sources	\$ 138,856	\$ 167,121	\$ 140,621	\$ (26,500)
State Sources	4,303,428	4,193,508	4,196,991	3,483
Federal Sources	799,920	851,522	834,180	(17,342)
<b>Total Revenue</b>	<u>5,242,204</u>	<u>5,212,151</u>	<u>5,171,792</u>	<u>(40,359)</u>
<b>Expenditures:</b>				
<u>Instruction:</u>				
Basic Instruction	1,269,298	1,296,865	1,311,604	14,739
Added Needs	591,148	520,732	503,015	(17,717)
<u>Support Services:</u>				
Pupil Support	380,132	341,710	346,804	5,094
Instructional Staff	269,000	255,879	298,291	42,412
General Administration	85,608	102,730	102,708	(22)
Executive Administration	372,818	430,551	411,694	(18,857)
School Administration	214,201	176,136	175,769	(367)
Business Services	34,800	49,504	65,797	16,293
Maintenance and Operations	572,496	601,670	572,363	(29,307)
Transportation	131,904	132,762	134,684	1,922
Central	203,592	233,733	216,403	(17,330)
Community Services	34,824	44,153	46,198	2,045
Athletics	-	7,230	7,230	-
Principal and Interest	108,212	78,865	78,864	(1)
<b>Total Expenditures</b>	<u>4,268,033</u>	<u>4,272,520</u>	<u>4,271,424</u>	<u>(1,096)</u>
<b>Excess of Revenues Over Expenditures</b>	974,171	939,631	900,368	(39,263)
<b>Other Financing Sources (Uses)</b>				
Transfers Out	(939,338)	(939,631)	(939,631)	-
<b>Total Other Financing Sources (Uses)</b>	<u>(939,338)</u>	<u>(939,631)</u>	<u>(939,631)</u>	<u>-</u>
Net Changes in Fund Balances	34,833	-	(39,263)	(39,263)
Fund Balances-July 1, 2017	628,961	628,961	628,961	-
<b>Fund Balances-June 30, 2018</b>	<u>\$ 663,794</u>	<u>\$ 628,961</u>	<u>\$ 589,698</u>	<u>\$ (39,263)</u>

**PLYMOUTH EDUCATIONAL CENTER  
CHARTER SCHOOL**

**AUDIT COMMUNICATION LETTER**

**JUNE 30, 2018**



# *Alan C. Young & Associates, P.C.*

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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October 30, 2018

To the Board of Directors  
Plymouth Educational Center Charter School  
Detroit, Michigan

We have recently completed our audit of the financial statements of Plymouth Educational Center Charter School (the School) for the year ended June 30, 2018. In addition to our audit report, we are providing the following required communication and recommendations, which impact the School.

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Communication Required Under AU-C 260	1
Other Comments and Recommendations	6
Informational	8

We are grateful for the opportunity to be of service to the School. Should you have any questions regarding the comments in this report, please do not hesitate to contact us.

Very truly yours,

Alan C. Young and Associates, P.C.  
Detroit, Michigan



# *Alan C. Young & Associates, P.C.*

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## RESULTS OF AUDIT

Board of Directors  
Plymouth Educational Center Charter School  
Detroit, Michigan

We have audited the financial statements of the governmental activities, major fund and remaining fund information of Plymouth Educational Center Charter School (the School) for the year ended June 30, 2018 and have issued our report thereon dated October 30, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted 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 February 22, 2018. Professional standards also require that we communicate to you the following information related to our audit.

### Our Responsibilities under U.S. Generally Accepted Auditing Standards, Government Auditing Standards and the Uniform Guidance

As stated in our engagement letter dated February 22, 2018, 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. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered the School's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance.

As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants. However, providing an opinion on compliance with those provisions is not an objective of our audit. Also, in accordance with the Uniform Guidance, we examined, on a test basis, evidence about the School's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement applicable to each of its federal programs for the purpose of expressing an opinion on the School's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the School's compliance with those requirements.

Results of Audit  
(Continued)

Other Information in Documents Containing Audited Financial Statements

Generally accepted accounting principles provide for certain required supplementary information (RSI) to supplement the basic financial statements. Our responsibility with respect to the Management Discussion & Analysis, and the Budgetary Comparison Schedule, which supplement the basic financial statements, is to apply certain limited procedures in accordance with generally accepted auditing standards. However, the RSI was not audited and, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance, we do not express an opinion or provide any assurance on the RSI.

Scope and Timing of the Audit

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit involved judgment about the number of transactions examined and the areas tested.

Our audit included obtaining an understanding of the School and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the School.

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 the School are described in Note 1 to the financial statements. We noted no transactions entered into by the School 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 School's estimate of depreciation expense is a significant estimate within the financial statements.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. Note 7 is a particularly sensitive footnote as it details the future debt service requirements of the school.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit. We would like to commend management and staff on the assistance provided to us during the audit.

Results of Audit  
(Continued)

Significant Audit Findings (Continued)

*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. Management has corrected all such misstatements.

*Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the 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 30, 2018.

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

*Other Audit Findings or Issues*

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

*Other Matters*

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

As required by 2 CFR Part 200, we have also completed an audit of the federal programs administered by the School District. The results of that audit are provided to the Board of Directors in our report on compliance with requirements applicable to each major program and on internal control over compliance in accordance with 2 CFR Part 22, dated October 30, 2018.

Results of Audit  
(Continued)

Significant Audit Findings (Continued)

*Restriction on Use*

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

*Alan C. Young, Assoc.*

Detroit, Michigan  
October 30, 2018

## **OTHER COMMENTS AND RECOMMENDATIONS**

# **PLYMOUTH EDUCATIONAL CENTER CHARTER SCHOOL**

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Other Comments and Recommendations  
June 30, 2018

## **1) FUND BALANCE IN SCHOOL LUNCH FUND**

During our audit, it was determined that the fund balance in the School Lunch Fund is in excess of three months' average expenditures when considering State of Michigan rules of accumulated fund balance of non-enterprise funds. There is a risk to the School District that these amounts could be recaptured by the MDE if there is not a plan in place to spend the funds in the following year.

We recommend that the School plan for the usage of the excess fund balance to bring the balance within the three month limit.

**INFORMATIONAL**

# **PLYMOUTH EDUCATIONAL CENTER CHARTER SCHOOL**

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Informational Items  
June 30, 2018

## **State Aid Funding**

State of Michigan funding for public schools continued to focus on several recurring themes and some new ones for the fiscal year ended June 30, 2018: limited increases in the foundation allowance, additional funding boosts for Michigan schools at the minimum foundation, continued student count blending formula, and additional resources dedicated to assisting with funding school district retirement/postretirement healthcare obligation (MPERS), including implications from changes in plan assumptions and costs incurred from changes to retirement system programs. A new revenue source provided an additional \$25 per pupil for high school enrollment. This was no addition to the School's foundation allowance funding. For the 2017-2018 fiscal year, the base foundation increased once again by \$60, from \$8,229 to \$8,289. The State continued its use of the "2X" formula, providing Michigan schools at the minimum foundation with an increase of \$120 per pupil to \$7,631. The School's foundation allowance was increased from \$7,511 to \$7,631.