

**PLYMOUTH EDUCATIONAL CENTER
CHARTER SCHOOL**

**FINANCIAL REPORT
WITH
SUPPLEMENTAL INFORMATION**

JUNE 30, 2021

PLYMOUTH EDUCATIONAL CENTER CHARTER SCHOOL

Contents

	<u>Page No.</u>
Independent Auditor’s Report	i
Management’s Discussion and Analysis.....	iii
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements:	
Statement of Net Position	1
Statement of Activities.....	2
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet.....	3
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position.....	4
Statement of Revenue, Expenditures and Changes in Fund Balances.....	5
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	6
Notes to Financial Statements	7
Required Supplemental Information	
Budgetary Comparison Schedule – General Fund	19
Federal Award Supplementary Information.....	Issued Under Separate Cover



Alan C. Young & Associates, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

7310 Woodward Ave, Suite 740
Detroit, MI 48202

(313) 873-7500 (Tel.)
(313) 873-7502 (Fax)
www.alancyoung.com

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the remaining fund information of the Plymouth Educational Center Charter School (the School) as of and for the year ended June 30, 2021 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, 2021 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.

Emphasis of Matter

As identified in Note 7, on July 1, 2019, the School entered into a forbearance agreement with U.S. Bank National Association relating to the School's series 2005 bonds. As such, interest will continue to be paid, but no principal payments will be required through June 30, 2024, unless earlier terminated due to a forbearance default. At the bondholders' discretion, the forbearance term may be extended by an additional year upon written amendment signed by both parties. Our opinion is not modified with respect to this matter.

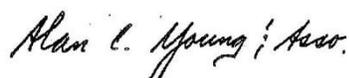
Other Matters

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 November 1, 2021 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
November 1, 2021

PLYMOUTH EDUCATIONAL CENTER CHARTER SCHOOL

Management's Discussion and Analysis June 30, 2021

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, 2021. 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 no significant change in state aid funding for fiscal 2022.
- The General Fund received \$6,575,116 in revenue, which primarily consisted of the State Foundation grant and federal grants. Excluding inter-fund transfers, there was \$4,907,386 in General Fund expenditures.

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

Management's Discussion and Analysis (Continued)
June 30, 2021

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 \$649,974 as of June 30, 2021. This decreased the prior year net deficit of \$1,498,929 to \$649,974.

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, 2021

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Net Position as of June 30, 2021 and 2020

The following shows a comparison of the School's statements of net position as of June 30, 2021 and 2020.

	<u>2021</u>	<u>2020</u>
Assets		
Current Assets	\$ 3,447,244	\$ 2,777,283
Noncurrent Assets	7,034,986	7,229,753
Total Assets	<u>10,482,230</u>	<u>10,007,036</u>
Deferred Outflow		
Deferred Loss on Bond Issuance	464,099	541,448
Total Deferred Outflow	<u>464,099</u>	<u>541,448</u>
Liabilities		
Current Liabilities	897,569	1,277,716
Noncurrent Liabilities	10,698,734	10,769,697
Total Liabilities	<u>11,596,303</u>	<u>12,047,413</u>
Net Position		
Net Investment in Capital Assets	(3,663,748)	(3,539,944)
Restricted	1,231,977	1,320,318
Unrestricted	1,781,797	720,697
Total Net Position	<u>\$ (649,974)</u>	<u>\$ (1,498,929)</u>

Change in Net Position for the years ending June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Revenue		
Program Revenues:		
Federal and State Categorical Grants	\$ 1,919,536	\$ 1,254,476
General Revenues:		
State Aid-Unrestricted	4,007,641	3,841,677
Other	836,296	128,035
Total Revenues	<u>6,763,473</u>	<u>5,224,188</u>
Expenses		
Instruction and Added Needs	1,905,107	1,785,350
Support Services	2,960,589	2,834,873
Food Services	149,924	332,017
Interest on Long-Term Debt	557,430	572,932
Depreciation (Unallocated)	264,119	260,180
Refunding Bond Expenses	77,349	77,349
Total Expenses	<u>5,914,518</u>	<u>5,862,701</u>
Decrease in Net Position	<u>\$ 848,955</u>	<u>\$ (638,513)</u>

PLYMOUTH EDUCATIONAL CENTER CHARTER SCHOOL

Management's Discussion and Analysis (Continued)
June 30, 2021

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

The performance of the School is reflected in its governmental funds. As the School completed its year, its governmental funds reported combined fund balances of \$2.6 million, including a fund balance in the General Fund of \$1,348,814. The General Fund balance experienced an increase of \$1,077,608, over last year.

The following table presents a summary of general fund revenue and expense for the fiscal years ended June 30, 2021 and 2020.

	<u>2021</u>	<u>2020</u>
REVENUES		
Local Revenue Sources	\$ 836,236	\$ 113,432
State Revenue Sources	4,380,108	4,235,504
Federal Revenue	1,358,772	516,515
Total Revenues	<u>6,575,116</u>	<u>4,865,451</u>
EXPENSES		
Instruction and Added Needs	1,865,143	1,761,316
Pupil Support Services	425,014	227,222
Instructional Staff Services	-	37,388
General Administration Services	722,292	771,594
School Administration Services	523,850	620,972
Operations and Maintenance	1,158,669	805,121
Transportation	135,769	125,008
Debt Service Payments	76,649	51,277
Total Expenses	<u>4,907,386</u>	<u>4,399,898</u>
Other Financing Sources (uses)		
Transfers Out	<u>(590,122)</u>	<u>(606,918)</u>
Excess (Deficiency) of Revenue Over Expenditures	<u>\$ 1,077,608</u>	<u>\$ (141,365)</u>

General Fund Revenue

The majority of revenue was derived from state funding (67%) with federal funding making up 21% of total revenue. There was also local revenue from private grants and fundraising making up 12% of total revenue.

PLYMOUTH EDUCATIONAL CENTER CHARTER SCHOOL

Management's Discussion and Analysis (Continued)
June 30, 2021

FINANCIAL ANALYSIS OF SCHOOL'S FUNDS (Continued)

Expenditure Allocation

Instruction accounted for \$1,865,143 or 38.0% of the general fund expenses. Other significant expense categories were maintenance and operations (\$1,158,669,23.6%) and general administration (\$772,292, 14.7%).

Comments on Budget Comparisons

- The School's total general fund revenues per the final budget for the fiscal year ended June 30, 2021, were approximately \$5.8 million. Actual revenues were \$821,937 over the final budget.
- General fund budget compared to actual expenditures varied slightly from line item to line item with the ending actual balance being \$235,209 less than the budget.
- The total cost of all programs and services within the general fund was \$4.9 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, school administration support and transportation.
- During the 2020-2021 year, the School's General Fund's fund balance increased by \$1,077,608. The School will continue to strive 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, 2021

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2021, the School had \$7.0 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 \$364,028.

	<u>2021</u>	<u>2020</u>
Land	\$ 308,300	\$ 308,300
Building and Building Improvements	11,431,665	11,431,665
Furniture and Equipment	2,741,769	2,572,508
Total	14,481,734	14,312,473
Less: Accumulated Depreciation	<u>7,446,748</u>	<u>7,082,720</u>
Net Capital Assets	<u>\$ 7,034,986</u>	<u>\$ 7,229,753</u>

Debt

At the end of this year, the School had \$10,698,734 in outstanding long-term debt versus \$10,769,697 in the previous year – a decrease of 0.7%. There was minimal reduction in the long-term debt because no principal payments were made on the School's bonds, in accordance with the forbearance agreement detailed in note 7. This forbearance agreement has been extended through June 30, 2021, so no principal payments will be required for the 2021-22 fiscal year.

\$363,412 of long-term debt is scheduled to be retired in the 2021-2022 fiscal year.

Economic Factors and Next Year's Budgets and Rates

The School considers many factors when setting the School's 2021-2022 fiscal year budgets. One of the most important factors affecting the budget is our student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2021-22 fiscal years is 90 percent of the current school year October count and 10 percent of the prior February count. The all-inclusive budget was adopted in June 2021 based on an enrollment estimate of 442 students in the Fall of 2021-22.

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.

PLYMOUTH EDUCATIONAL CENTER CHARTER SCHOOL

Management's Discussion and Analysis (Continued)
June 30, 2021

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

Once the final student count and related pupil funding are validated, State law requires the School to amend the budget if actual School resources are not sufficient to fund original appropriations. 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 State periodically holds a revenue estimating conference to estimate revenues. Based on the results of the most recent conference, the State estimates funds will be sufficient to fund the appropriation. However, due to the uncertainty surrounding COVID-19, it remains to be determined whether these funds will continue to be allocated to the State School Aid Fund, or whether resources will be diverted elsewhere in order to support the many areas impacted by COVID-19.

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 the Administrative Office at **1460 East Forest, Detroit, Michigan 48207**.

PLYMOUTH EDUCATIONAL CENTER CHARTER SCHOOL

Statement of Net Position
June 30, 2021

	Governmental Activities
Assets:	
Cash and Investments (Note 3)	\$ 933,132
Due from other Governmental Units (Note 4)	1,356,445
Prepaid Expenses	28,461
Restricted Cash (Note 3)	1,129,206
Capital Assets - Net (Note 5)	7,034,986
Total Assets	<u>10,482,230</u>
Deferred Outflow of Resources:	
Deferred Loss on Bond Issuance (Note 7)	464,099
Total Deferred Outflow of Resources	<u>464,099</u>
Liabilities:	
Accounts Payable	672,906
Accrued Liabilities	98,766
Unearned Revenue	125,897
Long-Term Liabilities (Note 7):	
Due within One Year	363,412
Due in More than One Year	10,335,322
Total Liabilities	<u>11,596,303</u>
Net Position:	
Net Investment in Capital Assets	(3,663,748)
Restricted:	
Debt Service Fund	1,129,206
Cafeteria Fund	102,771
Unrestricted	1,781,797
Total Net Position	<u>\$ (649,974)</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, 2021

Functions/Programs	Program Revenues			Governmental
	Expenses	Charges for Services	Operating Grants/Contributions	Activities Net (Expense) Revenue and Changes in Net Position
Primary Government-Governmental Activities:				
Instruction and Added Needs	\$ 1,905,107	\$ -	\$ 700,796	\$ (1,204,311)
Support Services	2,960,589	-	1,089,057	(1,871,532)
Food Services	149,924	-	129,683	(20,241)
Interest on Long-Term Debt	557,430	-	-	(557,430)
Depreciation (Unallocated)	264,119	-	-	(264,119)
Refunding Bond Expenses	77,349	-	-	(77,349)
Total Primary Government-Governmental Activities	\$ 5,914,518	\$ -	\$ 1,919,536	(3,994,982)
General Revenues:				
State Aid not restricted to specific purposes				4,007,641
Other				836,296
			Total General Revenues	4,843,937
Change in Net Position				848,955
Net Position - Beginning of Year				(1,498,929)
Net Position - End of Year				\$ (649,974)

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

PLYMOUTH EDUCATIONAL CENTER CHARTER SCHOOL

Governmental Funds Balance Sheet June 30, 2021

	Major Funds		Non-Major Fund	Total Governmental Funds
	General Fund	Debt Service Fund	Cafeteria Fund	
ASSETS				
Cash and Investments (Note 3)	\$ 933,132	\$ -	\$ -	\$ 933,132
Due from Other Governmental Units (Note 4)	1,289,057	-	67,388	1,356,445
Due from Other Funds (Note 6)	-	-	37,610	37,610
Prepaid Expenses	28,461	-	-	28,461
Restricted Cash (Note 3)	-	1,129,206	-	1,129,206
Total Assets	\$ 2,250,650	\$ 1,129,206	\$ 104,998	\$ 3,484,854
LIABILITIES				
Accounts Payable	672,906	-	-	672,906
Due to Other Funds (Note 6)	37,610	-	-	37,610
Accrued Liabilities	6,809	-	-	6,809
Unearned Revenue	125,897	-	-	125,897
Total Liabilities	843,222	-	-	843,222
DEFERRED INFLOW OF RESOURCES				
Unavailable Revenue	58,614	-	2,227	60,841
Total Deferred Inflow of Resources	58,614	-	2,227	60,841
FUND BALANCES				
Nonspendable	28,461	-	-	28,461
Restricted	-	1,129,206	102,771	1,231,977
Unassigned	1,320,353	-	-	1,320,353
Total Fund Balances	1,348,814	1,129,206	102,771	2,580,791
Total Liabilities, Deferred Inflow of Resources, and Fund Balances	\$ 2,250,650	\$ 1,129,206	\$ 104,998	\$ 3,484,854

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, 2021

	<u>Amount</u>
Fund Balance-Total Governmental Funds	\$ 2,580,791
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	14,481,734
Accumulated Depreciation is	<u>(7,446,748)</u>
	7,034,986
Long-Term Liabilities are not Due and Payable in the Current Period and are not Reported in the Governmental Funds:	
2006 Bonds	(10,225,000)
Loan Payable	(163,456)
Other	(310,278)
Accrued Interest Payable is not included as a Liability in Governmental Funds	(91,957)
Loss on Bond Issuance is Amortized over the Life of the Bond Issues in the Governmental Activities	464,099
Certain receivables not meeting the availability criteria are reported as deferred inflows in the Governmental Funds, but revenue in Governmental Activities	<u>60,841</u>
Net Position - Governmental Activities	<u>\$ (649,974)</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, 2021

	Major Funds		Non- Major Fund	Total Governmental Funds
	General Fund	Debt Service Fund	Cafeteria Fund	
Revenue:				
Local Sources	\$ 836,236	\$ 60	\$ -	\$ 836,296
State Sources	4,380,108	-	-	4,380,108
Federal Sources	1,358,772	-	127,456	1,486,228
Total Revenue	<u>6,575,116</u>	<u>60</u>	<u>127,456</u>	<u>6,702,632</u>
Expenditures:				
<u>Current:</u>				
Instruction and Added Needs	1,865,143	-	-	1,865,143
Pupil Support Services	425,014	-	-	425,014
General Administration Services	722,292	104,311	-	826,603
School Administration Services	523,850	-	-	523,850
Operations and Maintenance	1,158,669	-	-	1,158,669
Transportation	135,769	-	-	135,769
Food Services	-	-	149,924	149,924
<u>Debt Service:</u>				
Principal	70,963	-	-	70,963
Interest	5,686	551,744	-	557,430
Legal Costs	-	-	-	-
Total Expenditures	<u>4,907,386</u>	<u>656,055</u>	<u>149,924</u>	<u>5,713,365</u>
Excess (Deficiency) of Revenue Over Expenditures	<u>1,667,730</u>	<u>(655,995)</u>	<u>(22,468)</u>	<u>989,267</u>
Other Financing Sources (Uses)				
Transfers In (Note 6)	-	590,122	-	590,122
Transfers Out (Note 6)	(590,122)	-	-	(590,122)
Total Other Financing Sources (Uses)	<u>(590,122)</u>	<u>590,122</u>	<u>-</u>	<u>-</u>
Net Changes in Fund Balances	1,077,608	(65,873)	(22,468)	989,267
Fund Balances-Beginning of Year	271,206	1,195,079	125,239	1,591,524
Fund Balances-End of Year	<u>\$ 1,348,814</u>	<u>\$ 1,129,206</u>	<u>\$ 102,771</u>	<u>\$ 2,580,791</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, 2021

	<u>Amount</u>
Net Change in Fund Balance-Total Governmental Funds	\$ 989,267
<p>Amounts Reported for Governmental Activities in the Statement of Activities are Different because:</p>	
<p>Governmental Funds Report Capital Outlay as expenditures; in the Statement of Activities, these Costs are Allocated Over their Estimated Useful Lives as Depreciation:</p>	
Depreciation Expense	(364,028)
Capitalized Capital Outlay Expense	169,261
<p>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).</p>	
	70,963
<p>Amortized 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.</p>	
	(77,349)
<p>Revenue is reported in the Statement of Activities at the time it is earned, without regard to timeliness of collection</p>	
	<u>60,841</u>
Change in Net Position of Governmental Activities	<u>\$ 848,955</u>

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

PLYMOUTH EDUCATIONAL CENTER CHARTER SCHOOL

Notes to Financial Statements
June 30, 2021

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. The School's charter contract with Central Michigan runs through June 30, 2021. 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, 2021, paid to the Central Michigan University was \$118,230.

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, 2021

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, 2021

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	21-50 years
Furniture and Other Equipment	10 years
Automobiles	5 years

PLYMOUTH EDUCATIONAL CENTER CHARTER SCHOOL

Notes to Financial Statements (Continued)
June 30, 2021

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, and Net Position (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, and has a balance of \$464,099 at June 30, 2021.

Unearned Revenue – Unearned Revenue is reported in connection with funds that have been received for services which have not been performed and is therefore not yet earned. At June 30, 2021, the School had \$125,897 of unearned revenue for funds not yet utilized.

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 recognized as an inflow of resources (revenue) until that time. The School had \$60,841 classified as deferred inflow of resources at June 30, 2021.

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.

PLYMOUTH EDUCATIONAL CENTER CHARTER SCHOOL

Notes to Financial Statements (Continued)
June 30, 2021

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, and Net Position (Continued)

Net Position – Net position of the School is classified in three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and is reduced by the current balances of any outstanding borrowings used to finance the purchase of 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.

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 yearend.

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 did not incur any expenditures in the General Fund, which were in excess of the amounts budgeted by more than 5%.

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, 2021.

PLYMOUTH EDUCATIONAL CENTER CHARTER SCHOOL

Notes to Financial Statements (Continued)
June 30, 2021

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 \$2,049,997 had \$1,669,329 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, 2021

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, 2021.

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 School's 2005 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>
Receivables:			
Intergovernmental	\$ 1,289,057	\$ 67,388	\$ 1,356,445

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 \$125,897 in unearned revenue and \$60,841 in deferred inflows due to unavailable revenue.

PLYMOUTH EDUCATIONAL CENTER CHARTER SCHOOL

Notes to Financial Statements (Continued)
June 30, 2021

5) CAPITAL ASSETS

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

	<u>Balance July 1, 2020</u>	<u>Additions</u>	<u>Balance June 30, 2021</u>
Capital Assets not Being Depreciated:			
Land	\$ 308,300	\$ -	\$ 308,300
Capital Assets Being Depreciated:			
Building and Building Improvements	10,731,615	-	10,731,615
Assets under Capital Lease	700,050	-	700,050
Furniture and Equipment	1,301,748	169,261	1,471,009
Site Improvements	1,247,281	-	1,247,281
Automobile	23,479	-	23,479
Subtotal	<u>14,312,473</u>	<u>169,261</u>	<u>14,481,734</u>
Accumulated Depreciation:			
Building and Building Improvements	4,353,504	264,119	4,617,623
Assets under Capital Lease	700,050	-	700,050
Furniture and Equipment	1,195,693	40,515	1,236,208
Site Improvements	809,994	59,394	869,388
Automobile	23,479	-	23,479
Subtotal	<u>7,082,720</u>	<u>364,028</u>	<u>7,446,748</u>
Net Governmental Capital Assets	<u>\$ 7,229,753</u>	<u>\$ (194,767)</u>	<u>\$ 7,034,986</u>

Depreciation on the building and improvements \$264,119 is unallocated. All other depreciation is allocation between instruction, \$39,964 and general administration services \$59,945.

6) INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of inter-fund balances is as follows:

<u>Fund Due To</u>	<u>Fund Due From General Fund</u>	<u>Total</u>
Cafeteria Fund	\$ 37,610	\$ 37,610
Total	<u>\$ 37,610</u>	<u>\$ 37,610</u>

Inter-fund receivables and payables occur during the normal course of business and are settled routinely during the year.

PLYMOUTH EDUCATIONAL CENTER CHARTER SCHOOL

Notes to Financial Statements (Continued)
June 30, 2021

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

Inter-fund Transfers

	<u>Transfers Out- General Fund</u>
Transfers in-Debt Service Fund	<u>\$ (590,122)</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>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:				
2005 Bond	\$ 10,225,000	\$ -	\$ 10,225,000	\$ -
The Skillman Foundation Loan	207,305	43,849	163,456	53,134
Loan Payable	337,392	27,114	310,278	310,278
Total Governmental Activities	<u>\$ 10,769,697</u>	<u>\$ 70,963</u>	<u>\$ 10,698,734</u>	<u>\$ 363,412</u>

The School has issued \$13,850,000 in revenue and refunding bonds due in annual installments of \$190,000 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.

Effective July 1, 2019, the School entered into a forbearance agreement with U.S. Bank National Association relating to the School's series 2005 bonds. As such, interest will continue to be paid, but no principal payments will be required through June 30, 2020 unless earlier terminated due to a forbearance default. This forbearance agreement has been extended through June 30, 2024.

PLYMOUTH EDUCATIONAL CENTER CHARTER SCHOOL

Notes to Financial Statements (Continued)
June 30, 2021

7) LONG-TERM DEBT (Continued)

Forbearance defaults include the following:

- Any default or violation of covenant under any of the bond documents
- Any default under the School's state aid agreement
- Any default under the forbearance agreement
- Any default under the School's management agreement with Distinctive
- Loss of the Charter Contract
- Any bankruptcy proceeding
- Termination or resignation of the School's management company (Distinctive)
- Drop of enrollment below 445 students
- Any representation made by the School as part of the forbearance agreement found to be untrue
- Any default on payroll loan made by trustee.

At the bondholders' discretion, the forbearance term may be extended by an additional year upon written amendment signed by both parties.

The Skillman Foundation Loan – The School has a loan payable with The Skillman Foundation with interest rate of 2% and due on June 30, 2024.

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 January 2022.

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

Year Ended June 30,	Principal	Interest	Total
2022	\$ 363,412	\$ 566,977	\$ 930,389
2023	54,566	554,143	608,709
2024	55,756	552,953	608,709
2025	2,635,000	483,603	3,118,603
2026	525,000	401,353	926,353
2027-2031	3,065,000	1,521,828	4,586,828
2032-2036	4,000,000	580,438	4,580,438
Total	\$ 10,698,734	\$ 4,661,295	\$ 15,360,029

PLYMOUTH EDUCATIONAL CENTER CHARTER SCHOOL

Notes to Financial Statements (Continued)
June 30, 2021

7) LONG-TERM DEBT (Continued)

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, 2021 was \$4,945,000.

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, 2021 was \$464,099.

8) MANAGEMENT COMPANY AGREEMENT

Effective May 13, 2020, the School entered into a management agreement with Distinctive Schools. Under this agreement Distinctive Schools provides management, operation, administration, and education services. Distinctive Schools compensation shall be the higher of (a) \$465,000 or (b) twelve (12.00%) percent of the School's state aid payments less amounts retained by CMU and all grants received by the School (except for donations that are made to the School) that are to be expended during that school year. The management fee for the year was \$541,797. The School's contract with Distinctive Schools runs through June 30, 2024.

9) FORGIVENESS OF DEBT

During the year, the School's management company (Distinctive Schools) agreed to waive some of the outstanding unpaid expense related to payroll services provided to the School. The amount forgiven during the year was \$706,987 and is included in local revenues.

10) SUBSEQUENT EVENTS

Subsequent events have been evaluated through November 1, 2021, 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, 2021

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Revenue:				
Local Sources	\$ 98,917	\$ 111,995	\$ 836,236	\$ 724,241
State Sources	4,450,659	4,453,683	4,380,108	(73,575)
Federal Sources	1,130,253	1,187,501	1,358,772	171,271
Total Revenue	<u>5,679,829</u>	<u>5,753,179</u>	<u>6,575,116</u>	<u>821,937</u>
Expenditures:				
<u>Instruction:</u>				
Basic Instruction	1,509,003	1,557,989	1,565,268	7,279
Added Needs	297,852	310,052	299,875	(10,177)
<u>Support Services:</u>				
Pupil Support Services	409,277	424,777	425,014	237
General Administration Services	724,091	734,731	722,292	(12,439)
School Administration Services	712,650	508,583	523,850	15,267
Operations and Maintenance	825,392	1,377,160	1,158,669	(218,491)
Transportation	153,084	129,893	135,769	5,876
Principal and Interest	450,452	99,410	76,649	(22,761)
Total Expenditures	<u>5,081,801</u>	<u>5,142,595</u>	<u>4,907,386</u>	<u>(235,209)</u>
Excess of Revenues Over Expenditures	598,028	610,584	1,667,730	1,057,146
Other Financing Sources (Uses)				
Transfers Out	(166,513)	(610,548)	(590,122)	20,426
Total Other Financing Sources (Uses)	<u>(166,513)</u>	<u>(610,548)</u>	<u>(590,122)</u>	<u>20,426</u>
Net Changes in Fund Balances	431,515	36	1,077,608	1,036,720
Fund Balances - July 1, 2020			<u>271,206</u>	
Fund Balances - June 30, 2021			<u>\$ 1,348,814</u>	

**PLYMOUTH EDUCATION CENTER
CHARTER SCHOOL**

**FEDERAL AWARDS
SUPPLEMENTAL INFORMATION**

JUNE 30, 2021

PLYMOUTH EDUCATIONAL CENTER CHARTER SCHOOL

Contents

	<u>Page No.</u>
Independent Auditor's Report.....	1
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	2
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	4
Schedule of Expenditures of Federal Awards.....	7
Reconciliation of Basic Financial Statements Federal Revenue with Schedule Of Expenditures of Federal Awards.....	9
Notes to Schedule of Expenditures of Federal Awards.....	10
Schedule of Findings and Questioned Costs.....	11
Status of Prior Year Findings	16



Alan C. Young & Associates, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

7310 Woodward Ave, Suite 740
Detroit, MI 48202

(313) 873-7500 (Tel.)
(313) 873-7502 (Fax)
www.alancyoung.com

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

INDEPENDENT AUDITOR'S REPORT

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

We have audited the financial statements of the governmental activities, each major fund, and the remaining fund information of Plymouth Educational Center Charter School (the School) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School's basic financial statements. We issued our report thereon dated November 1, 2021 which contained unmodified opinions on the financial statements of the governmental activities, each major fund and the 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 the financial statements' federal revenue with the schedule of expenditures of federal awards are presented for purposes of additional analysis as required by the Title 2 U.S. Code of Federal Regulation Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Alan C. Young & Assoc.

Detroit, Michigan
November 1, 2021



Alan C. Young & Associates, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

7310 Woodward Ave, Suite 740
Detroit, MI 48202

(313) 873-7500 (Tel.)
(313) 873-7502 (Fax)
www.alancyoung.com

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
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 the 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, 2021, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated November 1, 2021.

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 opinions 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 School'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2021-001 through 2021-003 that we considered to be material weaknesses.

**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 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and are described in the accompanying schedule of findings and questioned costs as items 2021-001 and 2021-002.

School's Response to Findings

The management of the School's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The School's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Alan C. Young, Assoc.

Detroit, Michigan
November 1, 2021



Alan C. Young & Associates, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

7310 Woodward Ave, Suite 740
Detroit, MI 48202

(313) 873-7500 (Tel.)
(313) 873-7502 (Fax)
www.alanyoung.com

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
Plymouth Educational Center Charter School
Detroit, Michigan

Report on Compliance for each Major Federal Program

We have audited the 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, 2021. The School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the School's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and 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 each major federal program. However, our audit does not provide a legal determination of the School's compliance.

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

Opinion on Each of the 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 each of its major federal programs for the year ended June 30, 2021.

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 a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a 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 first paragraph of this section 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 were not identified.

**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 (Continued)

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.

Alan C. Young; Assoc.

Detroit, Michigan
November 1, 2021

PLYMOUTH EDUCATIONAL CENTER CHARTER SCHOOL

Schedule of Expenditures of Federal Awards Year Ended June 30, 2021

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Award Amount	(Memo Only) Prior Year Expenditures	Accrued or (Deferred) Revenue at July 1, 2020	Current Year Receipts (Cash Basis)	Current Year Expenditures	Accrued or (Deferred) Revenue at June 30, 2021	Passed Through to Subrecipients
DEPARTMENT OF AGRICULTURE								
Passed through the Michigan Department of Education - Child Nutrition Cluster								
National School Breakfast Program								
Project Number 201970	10.553	\$ 94,877	\$ 90,411	\$ -	\$ 4,466	\$ 4,466	\$ -	\$ -
Project Number 211970	10.553	5,184	-	-	5,184	5,184	-	-
Total		100,061	90,411	-	9,650	9,650	-	-
SFSP - COVID-19 (Unanticipated Grants Payment)								
Project Number 201960	10.555	152,888	146,552	-	6,336	6,336	-	-
Project Number 211960	10.555	7,290	-	-	7,290	7,290	-	-
Project Number 211965	10.555	60,037	-	-	-	60,037	60,037	-
Project Number 211980	10.555	733	2,340	-	554	733	179	-
Project Number 200902	10.555	23,078	23,078	7,505	7,505	-	-	-
Total		244,026	171,970	7,505	21,685	74,396	60,216	-
SFSP - COVID-19								
Project Number 200901	10.559	(3,006)	-	-	(3,006)	(3,006)	-	-
Project Number 210904	10.559	41,279	-	-	36,334	43,506	7,172	-
Total		38,273	-	-	33,328	40,500	7,172	-
Noncash Assistance								
USDA Commodities	10.555	27,372	-	-	5,137	5,137	-	-
Total		27,372	-	-	5,137	5,137	-	-
Total Child Nutrition Cluster		409,732	262,381	7,505	69,800	129,683	67,388	-
Total Department of Agriculture		409,732	262,381	7,505	69,800	129,683	67,388	-
DEPARTMENT OF TREASURY								
Passed through the Michigan Department of Education - State Aid								
Coronavirus Relief Fund								
Coronavirus Relief Funds	21.019	171,182	-	-	171,182	171,182	-	-
District Covid Costs	21.019	6,026	-	-	6,026	6,026	-	-
Total Department of Treasury		177,208	-	-	177,208	177,208	-	-

See notes to Schedule of Expenditures of Federal Awards.

PLYMOUTH EDUCATIONAL CENTER CHARTER SCHOOL

Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2021

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Award Amount	(Memo Only) Prior Year Expenditures	Accrued or (Deferred) Revenue at July 1, 2020	Current Year Receipts (Cash Basis)	Current Year Expenditures	Accrued or (Deferred) Revenue at June 30, 2021	Passed Through to Subrecipients
DEPARTMENT OF EDUCATION								
Passed through the Michigan Department of Education Office of Elementary and Secondary Education Program								
Title I, Part A - Improving Basic Programs								
Project Number 201530	84.010	622,391	409,553	89,845	98,214	8,369	-	-
Project Number 211530	84.010	591,273	-	-	409,148	528,686	119,538	-
Total		1,213,664	409,553	89,845	507,362	537,055	119,538	-
Title II, Part A - Teacher/Principal Training								
Project Number 210520	84.367	69,149	-	-	59,523	64,767	5,244	-
Total		69,149	-	-	59,523	64,767	5,244	-
Title IV, Part A - Student Support & Academic Enrichment Program								
Project Number 200750	84.424	59,028	19,742	15,582	15,582	-	-	-
Project Number 210750	84.424	78,486	-	-	55,415	56,507	1,092	-
Total		137,514	19,742	15,582	70,997	56,507	1,092	-
Education Stabilization Fund								
GEER Funds - K-12								
Project Number 201200	84.425	41,403	-	-	36,597	41,403	4,806	-
ESSER - Formula								
Project Number 203710	84.425	439,908	-	-	183,889	439,905	256,016	-
Total		481,311	-	-	220,486	481,308	260,822	-
Total Department of Education Passed through the Michigan Department of Education		1,901,638	429,295	105,427	858,368	1,139,637	386,696	-
Passed through Wayne County RESA								
IDEA Flow through - Special Education Grants to State								
IDEA Flow through 19-20	84.027A	90,064	-	-	-	90,064	90,064	-
Total Passed through Wayne County RESA		90,064	-	-	-	90,064	90,064	-
Total Department of Education		1,991,702	429,295	105,427	858,368	1,229,701	476,760	-
TOTAL FEDERAL AWARDS		\$ 2,578,642	\$ 691,676	\$ 112,932	\$ 1,105,376	\$ 1,536,592	\$ 544,148	\$ -

See notes to Schedule of Expenditures of Federal Awards.

PLYMOUTH EDUCATIONAL CENTER CHARTER SCHOOL

Reconciliation of Basic financial Statements Federal Revenue with Schedule of Expenditures of Federal Awards Year Ended June 30, 2021

Revenue from Federal Sources - as Reported on Financial Statements (Includes all funds)	\$ 1,486,228
Federal Revenue Deferred on the Basic Financial Statement Under GASB Statement No.33 at June 30,2021, included in SEFA	<u>50,364</u>
	<u><u>\$ 1,536,592</u></u>

PLYMOUTH EDUCATIONAL CENTER CHARTER SCHOOL

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2021

1) BASIS OF PRESENTATION AND SUMMARY OF 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 the Title 2 U.S. *Code of Federal Regulations* (CFR) 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 or changes in net assets of the School for year ended June 30, 2021. 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 expenditures are not allowed or are limited as to reimbursement.

2) GRANT AUDITOR REPORT

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

3) NONCASH ASSISTANCE

The value of the noncash assistance received was determined in accordance with the provisions of the Uniform Guidance.

Commodities – Inventory values are based on USDA value for donated food commodities. Reported commodity values were computed using the recipient entitlement balance report and other records.

4) INDIRECT COST RATE

The School has elected not to use 10 percent de minimis indirect cost rate allowed rate allowed under the Uniform Guidance.

5) SUBSEQUENT EVENTS

All subsequent events related to the major programs were evaluated through November 1, 2021, the date the accompanying reports were available to be issued. No significant event was noted that required adjustment or disclosure in the report.

PLYMOUTH EDUCATIONAL CENTER CHARTER SCHOOL

Schedule of Findings and Questioned Costs
Year Ended June 30, 2021

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? X Yes No
- Significant Deficiencies Identified? Yes X None Reported
- Non-Compliance Material to Financial Statements noted? X Yes No

Federal Awards

Internal Control over Major Programs:

- Material Weakness (es) Identified? Yes X No
- Significant Deficiencies Identified? Yes X None Reported

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

Any audit findings disclosed that are required to be reported in accordance with 2CFR 200.516(a)?

 Yes X No

Identification of Major Programs:

CFDA Numbers	Name of Federal Program or Cluster
21.019	Coronavirus Relief Funds
84.425	ESSER / GEER

Dollar threshold used to distinguish between type A and B programs: \$750,000

Auditee Qualified as Low Risk Auditee? Yes X No

PLYMOUTH EDUCATIONAL CENTER CHARTER SCHOOL

Schedule of Findings and Questioned Costs Year Ended June 30, 2021 (Continued)

SECTION II – FINANCIAL STATEMENT AUDIT FINDINGS

Reference Number	Findings
2021-001	<p>Finding Type – Material Weakness and Noncompliance with Laws and Regulations</p> <p>Condition and Description – The School does not currently follow the State’s required coding structure in their chart of accounts. Although the chart of accounts was sufficient for classifying balances for financial statement purposes, it does not satisfy State reporting requirements.</p> <p>Identification of a Repeat Finding – This is a repeat finding from the immediate previous audit (Finding 2020-001).</p> <p>Recommendation – We recommend that the School convert their chart of accounts to meet State requirements.</p> <p>View of Responsible Officials and Corrective Action Plan – As of July 1, 2021, Plymouth Educational Center Charter School has adopted a new chart of accounts that aligns with the major revenue and expense accounts of the Michigan accounting manual.</p>

PLYMOUTH EDUCATIONAL CENTER CHARTER SCHOOL

Schedule of Findings and Questioned Costs Year Ended June 30, 2021 (Continued)

SECTION II – FINANCIAL STATEMENT AUDIT FINDINGS (Continued)

Reference Number	Findings
2021-002	<p>Finding Type – Material Weakness and Noncompliance with Laws and Regulations</p> <p>Condition and Description – During our audit, we noted that the School does not utilize fund accounting and does not segregate the accounting for the general fund, food service fund and debt service fund. This created inefficiencies and delays in the audit.</p> <p>Identification of a Repeat Finding – This is a repeat finding from the immediate previous audit (Finding 2020-005).</p> <p>Recommendation – We recommend in addition to utilizing the State of Michigan’s required chart of accounts, the School should also properly utilize fund accounting. Separate funds need to be maintained for the School’s food service and debt service activity, in addition to maintaining the general fund.</p> <p>View of Responsible Official and Corrective Action Plan – Plymouth Educational Center data systems will be updated to include fund based entries in the accounting.</p>

PLYMOUTH EDUCATIONAL CENTER CHARTER SCHOOL

Schedule of Findings and Questioned Costs Year Ended June 30, 2021 (Continued)

SECTION II – FINANCIAL STATEMENT AUDIT FINDINGS (Continued)

Reference Number	Findings
2021-003	<p data-bbox="467 495 927 527">Finding Type – Material Weakness</p> <p data-bbox="467 562 1430 659">Condition and Description – Certain transactions from Bill.com did not properly post to the general ledger. As a result, the School reconciled this account during the audit fieldwork.</p> <p data-bbox="467 695 1430 762">Identification of a Repeat Finding – This is a repeat finding from the immediate previous audit (Finding 2020-007).</p> <p data-bbox="467 798 1430 928">Recommendation – We recommend that the School reconcile Bill.com activity on a monthly basis. This reconciliation should not be performed at the time of audit as this reconciliation impacts many accounts and should be performed on a timely basis.</p> <p data-bbox="467 963 1430 1127">View of Responsible Official and Corrective Action Plan – Plymouth Educational Center Charter School has adopted a monthly reconciliation of cash, revenue, expenses, and accruals including the staff accountant, Controller and CFO. On a quarterly basis, books are again reviewed and reconciled as necessary.</p>

PLYMOUTH EDUCATIONAL CENTER CHARTER SCHOOL

Schedule of Findings and Questioned Costs
Year Ended June 30, 2021 (Continued)

SECTION III – FEDERAL PROGRAM AUDIT FINDINGS

No Federal Program Audit Findings

PLYMOUTH EDUCATIONAL CENTER CHARTER SCHOOL

Status of Prior Year Findings
Year Ended June 30, 2021

SECTION II – FINANCIAL STATEMENT AUDIT FINDINGS

<u>Reference Number</u>	<u>Findings</u>
2020-001	<p>Finding Type – Material Weakness and Noncompliance with Laws and Regulations</p> <p>Condition and Description – The School does not currently follow the State’s required coding structure in their chart of accounts. Although the chart of accounts was sufficient for classifying balances for financial statement purposes, it does not satisfy State reporting requirements.</p> <p>Status – This is a repeat finding. See Finding 2021-001.</p>
2020-002	<p>Finding Type – Material Weakness</p> <p>Condition and Description – During our procedures we encountered a number of problems with the balances in the School’s general ledger. Adjustments were necessary for numerous accounts including cash, receivables, payables, loan payable and revenue. This decreases the efficiency of the audit and greatly increased the time necessary to complete the audit.</p> <p>Status – This is not a finding for the year ended June 30, 2021.</p>
2020-003	<p>Finding Type – Material Weakness</p> <p>Condition and Description – During our procedures, we noted that the School had misclassified various sources of revenue. As a result, federal revenues were not properly identified, and the School was not aware of the total amount of their federal expenditures. It is important that the School be aware of which sources of revenue are federal, which are state, and which are local sources.</p> <p>Status – This is not a finding for the year ended June 30, 2021.</p>

PLYMOUTH EDUCATIONAL CENTER CHARTER SCHOOL

Status of Prior Year Findings (Continued)
Year Ended June 30, 2021

SECTION II – FINANCIAL STATEMENT AUDIT FINDINGS (Continued)

Reference Number	Findings
2020-004	<p>Finding Type – Material Weakness</p> <p>Condition and Description – During our testing, a number of requested supporting documents for journal entries, cash disbursements and cash receipts were not provided for our review. Further no evidence of review and approval of the journal entries was noted. As a result, we could not fully test the propriety of the selected transactions. Lack of review and approval of the journal entries being posted in the general ledger could result of erroneous entries being posted which would result in general ledger inaccuracies. Lack of supporting documentation for cash disbursements and cash receipts could lead to improper financial reporting and improper use of funds.</p> <p>Status – This is not a finding for the year ended June 30, 2021.</p>
2020-005	<p>Finding Type – Material Weakness and Noncompliance with Laws and Regulations</p> <p>Condition and Description – During our audit, we noted that the School does not utilize fund accounting and does not segregate the accounting for the general fund, food service fund and debt service fund. This created inefficiencies and delays in the audit.</p> <p>Status – This is a repeat finding. See Finding 2021-002.</p>
2020-006	<p>Finding Type – Material Weakness</p> <p>Condition and Description – Under U.S. generally accepted auditing standards, we are required to communicate when any client requires assistance to prepare the financial statements, footnotes and schedule of expenditures of federal awards (SEFA) required in the annual audit report.</p> <p>Status – This is not a finding for the year ended June 30, 2021.</p>

PLYMOUTH EDUCATIONAL CENTER CHARTER SCHOOL

Status of Prior Year Findings (Continued)
Year Ended June 30, 2021

SECTION II – FINANCIAL STATEMENT AUDIT FINDINGS (Continued)

Reference Number	Findings
2020-007	<p>Finding Type – Material Weakness</p> <p>Condition and Description – Certain transactions from Bill.com did not properly post to the general ledger. As a result, the School reconciled this account during the audit fieldwork.</p> <p>Status – This is a repeat finding. See Finding 2021-003.</p>
2020-008	<p>Finding Type – Noncompliance with Laws and Regulations</p> <p>Condition and Description – For the year ended June 30, 2020, the School's revenues were below the final budgeted level by \$176,650. Expenditures were below the final budget, but only by \$32,665. This puts the School in violation of state law. Under Section 17 of the Uniform Budget and accounting Act, if it becomes apparent during the year that the probable revenues will be less than the budgeted revenues, the chief administrative officer or fiscal officer shall present recommendations to the legislative body which, if adopted, would prevent expenditures from exceeding available revenues for the fiscal year.</p> <p>Status – This is not a finding for the year ended June 30, 2021.</p>

PLYMOUTH EDUCATIONAL CENTER CHARTER SCHOOL

Status of Prior Year Findings
Year Ended June 30, 2021 (Continued)

SECTION III – FEDERAL PROGRAM AUDIT FINDINGS

No Prior Year Federal Program Audit Findings

Finding 2021-001

Corrective Action Steps Taken - As of July 1, 2021, Plymouth Educational Center Charter School has adopted a new chart of accounts that aligns with the major revenue and expense accounts of the Michigan accounting manual.

Future Steps to be implemented – Plymouth Educational Center and Distinctive Schools will be reviewing investment in new financial data systems that will better integrate the Michigan Chart of accounts into daily operations.

Monitoring Plan – The Controller and CFO will monitor the general ledger and adjust the chart of accounts as necessary to better align natural accounts and the Michigan Accounting Manual

Date of Completion - June 30, 2021

People Responsible – Elizabeth Winke, Controller & Jeff Donoghue, Chief Financial Officer

Finding 2021-002

Corrective Action Steps Taken – Plymouth Educational Center data systems will be updated to include fund based entries in the accounting.

Future Steps to be implemented – Plymouth Educational Center and Distinctive Schools is reviewing and planning to upgrade financial data systems that will better integrate fund based accounting in ongoing operations.

Monitoring Plan – The financial statements will be reviewed monthly by fund with additional scrutiny at the quarter close

Date of Completion – June 30, 2021

Person Responsible – Jeff Donoghue, Chief Financial Officer

Finding 2021-003

Corrective Action Steps Taken - Plymouth Educational Center Charter School has adopted a monthly reconciliation of cash, revenue, expenses and accruals including the staff accountant, Controller and CFO. On a quarterly basis, books are again reviewed and reconciled as necessary.

Future Steps to be implemented – all accounts payable transactions will be reconciled on a monthly basis, with additional scrutiny at every quarter close.

Monitoring Plan – The Controller will review the bill.com transactions every month and report to the CFO. Monthly financials presented to the board will be reconciled.

Date of Completion – October 1, 2021

Person Responsible – Elizabeth Winke, Controller



**PLYMOUTH EDUCATIONAL CENTER
CHARTER SCHOOL**

AUDIT COMMUNICATION LETTER

JUNE 30, 2021



Alan C. Young & Associates, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

7310 Woodward Ave, Suite 740
Detroit, MI 48202

(313) 873-7500 (Tel.)
(313) 873-7502 (Fax)
www.alancyoung.com

November 1, 2021

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 Academy) for the year ended June 30, 2021. In addition to our audit report, we are providing the following required communication and recommendations, which impact the Academy.

	<u>Page</u>
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 Academy. Should you have any questions regarding the comments in this report, please do not hesitate to contact us.

Very truly yours,

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



Alan C. Young & Associates, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

7310 Woodward Ave, Suite 740
Detroit, MI 48202

(313) 873-7500 (Tel.)
(313) 873-7502 (Fax)
www.alanycyoung.com

RESULTS OF AUDIT

Board of Directors
Plymouth Educational Center Charter School
Detroit, Michigan

We have audited the financial statements of the governmental activities, major funds and remaining fund information of Plymouth Educational Center Charter School (the Academy) for the year ended June 30, 2021, and have issued our report thereon dated November 1, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, Government Auditing Standards and the Uniform Guidance, as well as certain information related to the scope and timing of our audit. We have communicated such information in our letter to you dated June 3, 2021. 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 June 3, 2021, 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 Academy'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 Academy'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 Academy'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 major federal programs for the purpose of expressing an opinion on the Academy's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the Academy's compliance with those requirements.

Results of Audit
(Continued)

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

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 Academy 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 Academy.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. 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. We noted no transactions entered into by the Academy 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 Academy'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 significant as it discusses the Academy's long-term debt and forbearance agreement.

Results of Audit
(Continued)

Significant Audit Matters (Continued)

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.

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. No such misstatements were noted as a result of our audit.

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 November 1, 2021.

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 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.

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 Academy'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.

Results of Audit
(Continued)

Significant Audit Matters (Continued)

Other Matters (Continued)

We were engaged to report on the supplementary schedules, which accompanying the financial statements but are not RSI.

As required by 2 CFR Part 200, we have also completed an audit of the federal programs administered by the Academy. 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 November 1, 2021.

Restriction on Use

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



Detroit, Michigan
November 1, 2021