



NEXTTECH
HIGH SCHOOL

GRAND RAPIDS
Kent County, Michigan

Annual Financial Report

For the year ended June 30, 2023

NEXTECH HIGH SCHOOL, GRAND RAPIDS

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For the year ended June 30, 2023

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

October 31, 2023

The Board of Education
NexTech High School, Grand Rapids

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the major fund and the aggregate remaining fund information of NexTech High School, Grand Rapids (the "Academy") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund and the aggregate remaining fund information of NexTech High School, Grand Rapids, as of June 30, 2023, and the respective changes in financial position and the respective budgetary comparison for the General Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Academy's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

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

Emphasis of Matter

Changes in Accounting Principle

As discussed in Note H to the financial statements, the Academy adopted Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements* for the fiscal year ended June 30, 2023. Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2023, on our consideration of the Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Academy's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control over financial reporting and compliance.



Certified Public Accountants
Grand Rapids, Michigan

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MANAGEMENT'S DISCUSSION AND ANALYSIS



NEXTECH HIGH SCHOOL, GRAND RAPIDS
Management's Discussion and Analysis
June 30, 2023

NexTech High School, Grand Rapids (“Academy”) is a 9th grade through 12th grade Public School Academy located in Grand Rapids, Michigan. This Management’s Discussion and Analysis, a requirement of GASB 34, is intended to be the NexTech High School, Grand Rapids administration’s discussion and analysis of the financial results for the fiscal year ended June 30, 2023.

Financial Highlights of the Academy

	Current Fiscal Year	Prior Fiscal Year
State Aid Funding Per Pupil	\$ 9,150	\$ 8,700
Enrollment	130	110
General Fund Balance Increase/(Decrease)	\$ 16,567	\$ (25,132)
General Fund Balance as percent of Unrestricted State Aid Revenue	25.73%	28.44%

Overview of the Financial Statements

U.S. generally accepted accounting principles (GAAP) according to GASB 34 requires the reporting of two types of financial statements: Academy-wide Financial Statements and Fund Financial Statements.

Fund Financial Statements

For the most part, the fund financial statements are comparable to general purpose financial statements. The primary difference is that the Account Groups: General Fixed Assets and General Long-Term Debt are no longer reported. The fund level statements are reported on a modified accrual basis. Only those assets that are “measurable” and “currently available” are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education’s “Accounting Manual.” In the State of Michigan, the Academy’s major instruction and instructional support activities are reported in the General Fund. Additional governmental activities are reported in their relevant Special Revenue Funds.

In the fund financial statements, capital assets purchased are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The current year’s payments of principal and interest on long-term obligations are recorded as expenditures. Future year’s debt obligations are not recorded.



NEXTECH HIGH SCHOOL, GRAND RAPIDS
Management's Discussion and Analysis
June 30, 2023

The Academy has one kind of fund:

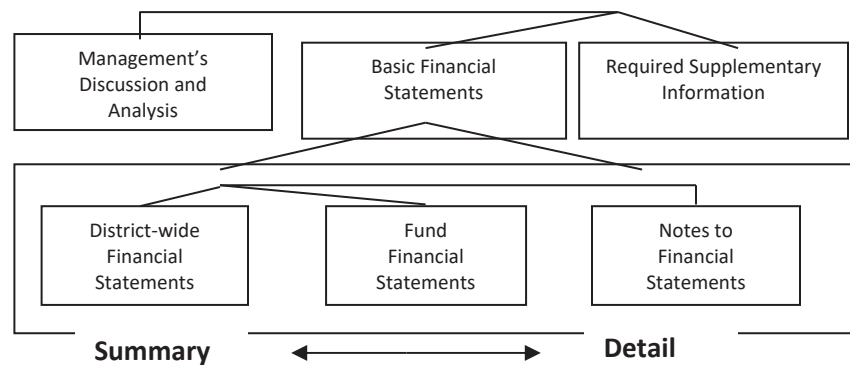
Governmental fund – Most of the Academy's basic services are included in governmental funds which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Academy's programs. Because this information does not encompass the additional long-term focus of the academy-wide statements, we provide additional information with the governmental funds statements that explains the relationship (or differences) between them.

Academy Wide Financial Statements

The Academy-wide financial statements are maintained using the "full accrual" basis. They report all of the Academy's assets and liabilities, both short and long term, regardless if they are "currently available" or not. Capital assets and long-term obligations of the Academy are reported in the Statement of Net Position of the Academy-wide financial statements.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the Academy's budget for the year. Figure A-1 shows how the various parts of the annual report are arranged and related to one another.

Figure A-1 Organization of NexTech High School's Annual Financial Report





NEXTECH HIGH SCHOOL, GRAND RAPIDS
Management’s Discussion and Analysis
June 30, 2023

Figure A-2 summarizes the major features of the Academy’s financial statements, including the portion of the Academy’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights the structure and contents of each of the statements.

Figure A – 2 Major Features of the Academy-Wide and Fund Financial Statements

	Academy-wide statements	Fund Financial Statements
Scope	Entire academy (except fiduciary funds)	All activities of the academy that are not fiduciary
Required financial statements	* Statement of net position * Statement of activities	* Balance sheet * Statement of revenues, expenditures, and changes in fund balances
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable

New Accounting Pronouncement Adopted

The District implemented Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)* during the fiscal year ended June 30, 2023. This Statement enhances the relevance and consistency of information about governments’ subscription-based information technology arrangements. See Note H for additional information.

Financial Analysis of the Academy’s Funds

	Current Fiscal Year	Prior Fiscal Year
Ending General Fund Balance	\$ 306,193	\$ 289,626
Total General Fund Revenue	\$ 1,726,906	\$ 1,439,272
State Aid Foundation Allowance as percent of Academy Revenues	79.02%	80.37%
Total Cost of Instructional Programs	\$ 609,250	\$ 537,145
Instructional Expenditures as percent of Total Expenditures	35.62%	15.53%
Total Cost of Support/Operational Services	\$ 727,686	\$ 2,602,351
Support/Operational Services as percent of Total Expenditures	42.55%	75.25%
Total Cost of Community Services	\$ 10	\$ 300
Community Services Expenditures as percent of Total Expenditures	< 0.01%	0.01%
Ending Student/School Activity Special Revenue Fund Balance	\$ 3,163	\$ 1,734



NEXTECH HIGH SCHOOL, GRAND RAPIDS
Management's Discussion and Analysis
June 30, 2023

Academy Governmental Activities

Summary of Net Position:

The following summarizes the net position at fiscal year ended June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Assets		
Current assets	\$ 464,288	\$ 451,752
Net capital assets	2,039,887	2,039,887
Less Accumulated depreciation	<u>(688,266)</u>	<u>(352,986)</u>
Capital assets being depreciated, net	<u>1,351,621</u>	<u>1,686,901</u>
Total Assets	<u>1,815,909</u>	<u>2,138,653</u>
Liabilities		
Current liabilities	486,358	467,530
Long-term liabilities	<u>1,122,147</u>	<u>1,448,323</u>
Total Liabilities	<u>1,608,505</u>	<u>1,915,853</u>
Net Position		
Invested in capital assets	(96,702)	(62,219)
Restricted	3,163	1,734
Unrestricted	<u>300,943</u>	<u>283,285</u>
Total Net Position	<u>\$ 207,404</u>	<u>\$ 222,800</u>



NEXTECH HIGH SCHOOL, GRAND RAPIDS
Management's Discussion and Analysis
June 30, 2023

Results of Operations:

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

	<u>2023</u>		<u>2022</u>	
	Amount	% of Total	Amount	% of Total
Program Revenue:				
Charges for Services	\$ 745	0.04%	\$ 3,564	0.25%
Operating Grant – Federal and State	536,249	31.03%	484,711	33.86%
Total Program Revenue	536,994	31.07%	488,275	34.11%
General Revenue:				
State Aid – Unrestricted	1,189,912	68.85%	950,997	65.69%
Other	1,429	0.08%	2,954	0.20%
Total Revenue	1,728,335	100.00%	1,442,226	100.00%
Expenses:				
Instruction and Instructional Services	612,255	35.11%	540,150	34.52%
Support Services	1,059,961	60.79%	843,916	60.33%
Community Services	10	< 0.01%	300	0.02%
Interest on Long-term Debt	71,505	4.10%	80,189	5.13%
Total Expenses	1,743,731	100.00%	1,564,555	100.00%
Change in Net Position	(15,396)		(122,329)	
Net Position, Beginning of Year	222,800		345,129	
Net Position, End of Year	<u>\$ 207,404</u>		<u>\$ 222,800</u>	

During the fiscal year ended June 30, 2023, the Academy's net position decreased by \$15,396 as compared to a net decrease of \$122,329 in the prior fiscal year. The most significant difference between prior year and current year is total general fund revenue and expenditures increased. Additional factors affecting the change in net position during the year are discussed below:

State of Michigan Aid and Other Factors Affecting Revenue

The State of Michigan aid is determined by the following variables:

- Per Student, Foundation Allowance: Annually, the State of Michigan sets the per student foundation allowance. The NexTech High School foundation allowance was \$9,150.



NEXTECH HIGH SCHOOL, GRAND RAPIDS
Management’s Discussion and Analysis
June 30, 2023

- Student Enrollment: The Academy’s student enrollment for the fall count of 2022-23 was 132 students. To calculate total state aid to be provided by the foundation allowance, a system (Section 25) where the funding follows the student was used. This means adjustments were made to the current year fall count when students enrolled or unenrolled until the current year winter count to calculate the adjusted fall count. A blend of 90% of the adjusted current year fall count and 10% of the prior year spring count is multiplied by the Academy’s foundation allowance.
- Federal stimulus funding has also been received by the Academy and will be used judiciously over the next few years.

Subsequent to year end June 30, 2023 preliminary student enrollments for 2023-24 indicate that the 2023 fall student enrollment will increase slightly. The Academy will balance their operating budget accordingly.

General Fund Budgetary Highlights

The Uniform Budget Act of the State of Michigan requires that the local Board of Directors approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year. Over the course of the year, the Academy revised the annual operating budget two times. These budget amendments fall into several categories:

Changes were made in the second and fourth quarters to account for change in student enrollment, federal funding, and changes in assumptions (e.g., staffing changes, instructional) since the original budget was adopted.

The Academy’s revenues from General Fund operations exceeded expenditures by \$16,567 for the fiscal year ended June 30, 2023.

Capital Asset and Debt Administration

Capital Assets

The Academy’s net investment in capital assets is summarized as follows:

	Beginning Balance July 1, 2022	Additions	Disposals	Ending Balance June 30, 2023
Capital Assets being depreciated/amortized	\$ 2,039,887	\$ -	\$ -	\$ 2,039,887
Less: accumulated depreciation/amortization	352,986	335,280	-	688,266
Net Capital Assets	\$ 1,686,901	\$ 335,280	\$ -	\$ 1,351,621



NEXTECH HIGH SCHOOL, GRAND RAPIDS
Management's Discussion and Analysis
June 30, 2023

Depreciation/Amortization Expense

GASB 34 requires Public School Academies to maintain a record of annual depreciation/amortization expense and accumulated depreciation/amortization. The net increase in accumulated depreciation expense is a reduction in net assets in the entity wide financial statements. Depreciation/amortization is not recognized in the fund financial statements and has been noted as a reconciling item in the Academy's financial statements.

For fiscal year ended June 30, 2023, the net increase in accumulated depreciation/amortization was \$335,280.

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of assets. Amortization expense is recorded on a straight-line basis over the term of the assets being leased. In accordance with U.S. generally accepted accounting principles (GAAP), depreciation expense is recorded based on the original cost of the asset, less an estimated salvage value.

Long-term Obligations

At year end, the Academy had \$1,448,323 in long-term lease liabilities for its school building – a net decrease of \$300,797 from the prior year.

Economic Factors Bearing on the Academy's Future

The Preliminary Budget for the 2023-24 Fiscal Year was adopted by the Board of Directors in June 2023. Few definite factors were known as the budget was being drafted, and others were unknown and needed to be projected with management's best estimates based on perceived interest from the community. Some key factors and estimates used in the 2023-24 budget preparation process include:

- Estimated budgeted increase in per pupil foundation allowance of \$250. The actual per pupil foundation allowance for fiscal year 2023-24 is \$9,608 (an increase of \$458/pupil over the prior fiscal year).
- Steady enrollment.
- Continued Support from Kent ISD via the Regional Assistance Grant.
- Use of remaining ESSER 3 award during fiscal year 2024.

Since the Academy's revenue is heavily dependent on State funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to School Districts and Public School Academies. The State periodically holds revenue-estimating conferences to estimate what the State's available resources will be throughout the remainder of its fiscal year.

Contacting the Academy's Financial Management

This financial report is designed to provide our students, parents, and creditors with a general overview of the Academy's finances and to demonstrate the Academy's accountability for the money it receives. If you have questions about this report or need additional information, contact the Academy's office at 801 Broadway Avenue, Grand Rapids, Michigan 49504.

BASIC FINANCIAL STATEMENTS

NEXTECH HIGH SCHOOL, GRAND RAPIDS
Statement of Net Position
June 30, 2023

	Governmental Activities
Assets	
Cash equivalents (Note B)	\$ 137,691
Due from other governmental units (Note C)	275,520
Prepaid expenses	51,077
Capital assets being depreciated/amortized, net (Note D)	1,351,621
Total Assets	1,815,909
Liabilities	
Accounts payable	12,562
Short-term loan payable (Note E)	37,500
Accrued interest	5,250
Accrued expenses	69,711
Unearned revenue	35,159
Long term liabilities (Note F)	
Due within one year	326,176
Due in more than one year	1,122,147
Total Liabilities	1,608,505
Net Position	
Invested in capital assets	(96,702)
Restricted:	
Student/School Activity	3,163
Unrestricted	300,943
Total Net Position	\$ 207,404

See accompanying notes to basic financial statements.

NEXTECH HIGH SCHOOL, GRAND RAPIDS
Statement of Activities
For the year ended June 30, 2023

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants	
Governmental Activities				
Instruction	\$ 612,255	\$ -	\$ 532,809	\$ (79,446)
Supporting services	1,059,961	745	3,440	(1,055,776)
Community services	10	-	-	(10)
Interest on long-term debt	71,505	-	-	(71,505)
Total Governmental Activities	\$ 1,743,731	\$ 745	\$ 536,249	(1,206,737)
General Revenues				
State school aid, unrestricted				1,189,912
Other				1,429
Change in Net Position				(15,396)
Net Position - Beginning of Year				222,800
Net Position - End of Year				\$ 207,404

See accompanying notes to basic financial statements.

NEXTECH HIGH SCHOOL, GRAND RAPIDS
Balance Sheet
Governmental Fund
June 30, 2023

Assets	<u>General Fund</u>	<u>Nonmajor</u>	<u>Total</u>
Cash equivalents (Note B)	\$ 133,917	\$ 3,774	\$ 137,691
Due from other funds	611	-	611
Due from other governmental units (Note C)	275,520	-	275,520
Prepaid expenditures	51,077	-	51,077
Total Assets	<u>\$ 461,125</u>	<u>\$ 3,774</u>	<u>\$ 464,899</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 12,562	\$ -	\$ 12,562
Short-term loan payable (Note D)	37,500	-	37,500
Accrued expenditures	69,711	-	69,711
Due to other funds	-	611	611
Unearned revenue	35,159	-	35,159
Total Liabilities	<u>154,932</u>	<u>611</u>	<u>155,543</u>
Fund Balances (Note A)			
Nonspendable	51,077	-	51,077
Restricted	-	3,163	3,163
Unassigned	255,116	-	255,116
Total Fund Balances	<u>306,193</u>	<u>3,163</u>	<u>309,356</u>
Total Liabilities and Fund Balances	<u>\$ 461,125</u>	<u>\$ 3,774</u>	<u>\$ 464,899</u>

See accompanying notes to basic financial statements.

NEXTECH HIGH SCHOOL, GRAND RAPIDS
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2023

Total governmental fund balances	\$ 309,356
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is \$2,039,887 and accumulated depreciation and amortization is \$688,266.	1,351,621
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:	
Lease liabilities	(1,448,323)
Accrued interest in not included as a liability in governmental funds	<u>(5,250)</u>
Total net position - governmental activities	<u><u>\$ 207,404</u></u>

See accompanying notes to basic financial statements.

NEXTECH HIGH SCHOOL, GRAND RAPIDS
Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Fund
For the year ended June 30, 2023

	General Fund	Nonmajor	Total
Revenues			
Local sources	\$ 745	\$ 1,429	\$ 2,174
State sources	1,364,609	-	1,364,609
Federal sources	307,734	-	307,734
Interdistrict sources	53,818	-	53,818
Total Revenues	<u>1,726,906</u>	<u>1,429</u>	<u>1,728,335</u>
Expenditures			
Current:			
Instruction	609,250	-	609,250
Supporting services	727,686	-	727,686
Community services	10	-	10
Debt service:			
Principal repayment	300,797	-	300,797
Interest and fiscal charges	72,596	-	72,596
Total Expenditures	<u>1,710,339</u>	<u>-</u>	<u>1,710,339</u>
Net Change in Fund Balances	16,567	1,429	17,996
Fund Balances, Beginning of Year	<u>289,626</u>	<u>1,734</u>	<u>291,360</u>
Fund Balances, End of Year	<u>\$ 306,193</u>	<u>\$ 3,163</u>	<u>\$ 309,356</u>

See accompanying notes to basic financial statements.

NEXTECH HIGH SCHOOL, GRAND RAPIDS
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the year ended June 30, 2023

Net change in fund balances - total governmental funds	\$	17,996
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets is capitalized and allocated over their estimated useful lives as depreciation/amortization expense. This is the amount by which depreciation/amortization exceeded capital outlays in the current period:</p>		
Capital outlays	\$	-
Depreciation/amortization expense	<u>(335,280)</u>	(335,280)
<p>Repayment of principal on long-term debt is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities:</p>		
Lease liabilities		300,797
<p>Interest on long-term liabilities in the Statement of Activities differs from the amount reported on the governmental funds because interest is recorded as an expenditure in the funds when it is due and paid, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues regardless of when it is paid.</p>		
		<u>1,091</u>
Total changes in net position - governmental activities	\$	<u>(15,396)</u>

See accompanying notes to basic financial statements.

NEXTECH HIGH SCHOOL, GRAND RAPIDS
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2023

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
Revenues				
Local sources	\$ -	\$ 1,000	\$ 745	\$ (255)
State sources	1,243,249	1,415,349	1,364,609	(50,740)
Federal sources	530,662	365,069	307,734	(57,335)
Interdistrict sources	69,317	53,818	53,818	-
Total Revenues	<u>1,843,228</u>	<u>1,835,236</u>	<u>1,726,906</u>	<u>(108,330)</u>
Expenditures				
Current:				
Instruction:				
Basic programs	398,318	398,272	406,976	(8,704)
Added needs	287,322	225,844	202,274	23,570
Supporting services:				
Pupil services	124,444	118,093	132,112	(14,019)
Instructional staff services	7,219	10,537	11,861	(1,324)
General administrative services	150,753	174,876	176,622	(1,746)
School administrative services	242,349	246,426	225,846	20,580
Business services	4,600	6,500	7,827	(1,327)
Operation and maintenance services	269,760	226,461	147,580	78,881
Pupil transportation	700	7,100	7,145	(45)
Central services	10,429	14,663	18,693	(4,030)
Community services	2,500	1,000	10	990
Debt Service:				
Principal repayment	294,995	294,995	300,797	(5,802)
Interest and fiscal charges	72,596	72,596	72,596	-
Total Expenditures	<u>1,865,985</u>	<u>1,797,363</u>	<u>1,710,339</u>	<u>87,024</u>
Net Change in Fund Balances	<u>(22,757)</u>	<u>37,873</u>	<u>16,567</u>	<u>(21,306)</u>
Fund Balances, Beginning of Year	<u>289,626</u>	<u>289,626</u>	<u>289,626</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 266,869</u>	<u>\$ 327,499</u>	<u>\$ 306,193</u>	<u>\$ (21,306)</u>

See accompanying notes to basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

NEXTECH HIGH SCHOOL, GRAND RAPIDS
Notes to Basic Financial Statements
June 30, 2023

Note A – Summary of Significant Accounting Policies

NexTech High School, Grand Rapids, (the “Academy”) formerly Nexus Academy of Grand Rapids, received its charter under Public Act 416 of 1994 from Central Michigan University. As part of the chartering process, NexTech High School, Grand Rapids filed Articles of Incorporation with the Michigan Department of Commerce. According to the contract with Central Michigan University, NexTech High School, Grand Rapids is to act exclusively as a governmental agency, for the purposes of operating as a public school academy and is not to undertake any action inconsistent with its status as an entity authorized to receive state school aid funds pursuant to the State Constitution. Under this contract, Central Michigan University provides certain services to NexTech High School, Grand Rapids including approval of NexTech High School, Grand Rapids’ operating plan, monitoring compliance with provisions of the charter contract and the selection of members for the Board of Directors. Central Michigan University is paid 3% of State Aid payments received by NexTech High School, Grand Rapids for such services.

The Academy is governed by a Board of Directors consisting of five members approved by Central Michigan University. The Academy provides educational services for approximately 132 full-time students as specified by State statute and Board of Directors policy. These services include secondary education and general administrative services.

The Board of Directors contracts with CS Partners, LLC, and its wholly owned subsidiary, CSP Management, doing business as Partner Solutions, for management services. CSP provides a variety of services to support the Academy’s academic and operational systems, including the leasing of its staff from Partner Solutions. The management agreement runs concurrently with the Academy’s charter contract.

The financial statements of the Academy have been prepared in conformity with accounting principles generally accepted in the United States of America as applicable to school academies. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The Academy’s significant accounting policies are described below.

1. The Reporting Entity

The financial reporting entity consists of a primary government and its component units. The Academy is a primary government because it is a special-purpose government that has a separately appointed governing body, is legally separate and is fiscally independent of other state or local governments. Furthermore, there are no component units combined with the Academy for financial statement presentation purposes, and the Academy is not included in any other governmental reporting entity. Consequently, the Academy’s financial statements include the funds of those organizational entities for which its governing board is financially accountable.

2. Academy-wide and Fund Financial Statements

Academy-wide Financial Statements – The academy-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) present financial information about the Academy as a whole. The reported information includes all of the nonfiduciary activities of the Academy. The Academy does not allocate indirect costs and, for the most part, the effect of interfund activity has been removed. These statements are to distinguish between the *governmental* and *business type activities* of the Academy. *Governmental activities* normally are supported by taxes and intergovernmental revenues, and are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The Academy does not have any *business-type activities*.

NEXTECH HIGH SCHOOL, GRAND RAPIDS
Notes to Basic Financial Statements
June 30, 2023

The Statement of Net Position is reported on the full accrual, economic resources basis, which recognizes all long-term assets as well as all long-term debt and obligations. The Academy's net position is reported in three parts: invested in capital assets, restricted net position, and unrestricted net position.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Unrestricted state aid, interest earnings and other items not included among program revenues are reported instead as *general revenues*.

Major individual governmental funds are reported as separate columns in the fund financial statements. The General Fund is the Academy's only major fund. Nonmajor funds are aggregated and presented in a single column.

Fund Financial Statements – Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Fund level statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances. The Balance Sheet reports current assets, current liabilities, and fund balances. The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources and uses of current financial resources. This differs from the economic resources measurement focus used to report at the academy-wide level. Reconciliations between the two sets of statements are provided in separately.

Revenues are recognized when susceptible to accrual, i.e., both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Academy considers revenues to be available if they are collected within 60 days after the end of the current fiscal period. Expenditures are generally recorded when the liability is incurred if they are paid within 60 days after the end of the current fiscal period. The exception to this general rule is that principal and interest on long-term debt is recognized when due.

Revenues susceptible to accrual are state aid, federal and interdistrict revenues and investment income. Other revenues are recognized when received. Unearned revenue arises when potential revenue does not meet both the measurable and available criteria for recognition in the current period. Unearned revenue also arises when resources are received by the Academy before it has a legal claim to them, as when grant monies are received prior to the incurrence of the qualifying expenditures.

3. Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

NEXTECH HIGH SCHOOL, GRAND RAPIDS
Notes to Basic Financial Statements
June 30, 2023

Governmental Funds

Governmental funds are those funds through which most academy functions typically are financed. The acquisition, use, and balances of an academy's expendable financial resources and the related current liabilities are accounted for through governmental funds.

General Fund—The General Fund is the general operating fund of the Academy. It is used to account for all financial resources, except those required to be accounted for in another fund. Included are all transactions related to the current operating budget.

Special Revenue Funds—Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

School Service Funds—School Service Funds are used to segregate, for administrative purposes, the transactions of a particular activity from regular revenue and expenditure accounts. An academy maintains full control of these funds. The School Service Fund maintained by the Academy is the Student/School Activities Special Revenue Fund.

When both restricted and unrestricted resources are available for use, it is the Academy's policy to use restricted resources first, then unrestricted as they are needed.

4. Budgets and Budgetary Accounting

State of Michigan Public Act 621 (the Uniform Budgetary and Accounting Act) requires that the General Fund of an academy be under budgetary control and that both budgeted and actual financial results do not incur a deficit. An academy's General Appropriations Resolution (the "budget") must be adopted before the beginning of each fiscal year. No violations (dollar deviations) from an academy's budget may occur without a corresponding amendment to the budget. An academy has the ability to amend the budget provided that the amendment is prior to the occurrence of the deviation and prior to the fiscal year-end. An academy may also permit the chief administrative or fiscal officer to execute transfers between line items, within defined dollar or percentage limits, without prior approval of the Board of Directors. Expenditures may not legally exceed budget appropriations at the function level. All appropriations lapse at the end of the fiscal year.

NexTech High School, Grand Rapids utilizes the following procedures in establishing the budgetary data reflected in the financial statements:

- The management services company establishes proposed operating budgets for the ensuing fiscal year.
- Preliminary operating budgets are submitted to the Board of Directors by the management services company. These budgets include proposed expenditures and the means of financing them.
- After the budgets are finalized, the Board of Directors adopts an appropriations resolution setting forth the amount of the proposed expenditures and the sources of revenue to finance them.
- The original General Fund budget was amended during the year in compliance with State of Michigan Public Act 621 (the Uniform Budgetary and Accounting Act).

NEXTECH HIGH SCHOOL, GRAND RAPIDS
Notes to Basic Financial Statements
June 30, 2023

- Budgets for the General Fund and the Student/School Activities Fund were adopted on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America.

5. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budget integration in the governmental funds. There were no substantial encumbrances outstanding at year end.

6. Investments

Investments are recorded at fair value. Investment income is composed of interest and net changes in the fair value of applicable investments.

7. Inventories/Prepaid Items

Inventories are valued at cost (first-in, first-out), and are accounted for using the consumption method. Inventories of the Food Service Fund consist of food and other nonperishable supplies. Disbursements for inventory-type items are recorded as expenditures at the time of use for each fund. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the district-wide and fund financial statements. The cost of prepaid items is recorded as expenses/expenditures when consumed rather than when purchased.

8. Capital Assets

Capital assets, which include leasehold improvements and furniture and equipment, are reported in the academy-wide financial statements. Assets having a useful life in excess of one year, and whose costs exceed \$5,000, are capitalized. Capital assets are stated at historical cost or estimated historical cost where actual cost information is not available. Donated capital assets are stated at fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's useful life are not capitalized. Improvements are capitalized and depreciated over the remaining useful life of the related assets.

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

Leasehold improvements	10 - 15 years
Furniture and equipment	3 - 10 years

The right-to-use assets are amortized over the term of the lease.

9. Long-term Obligations

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the Statement of Net Position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported at the total amount of bonds issued.

NEXTECH HIGH SCHOOL, GRAND RAPIDS
Notes to Basic Financial Statements
June 30, 2023

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

10. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition or construction of those assets. Net position is reported as restricted when there are limitations imposed on their use either through legislation or through external restrictions imposed by creditors, grantors, laws, or regulations from other governments.

11. Fund Balance

The Academy has adopted Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The stated objective of GASB Statement No. 54 is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds, detailed as follows:

- Nonspendable – resources that cannot be spent because they are either (a) not in spendable form (inventories and prepaid amounts) or (b) legally or contractually required to be maintained intact (the principal of a permanent fund).
- Restricted – resources that cannot be spent because of (a) constraints externally imposed by creditors (debt covenants), grantors, contributors, or laws or regulations or (b) imposed by law through constitutional provisions or enabling legislation and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation.
- Committed – resources that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority (Board of Directors). Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified uses by taking the same type of action it employed to previously commit those amounts.
- Assigned – resources that are constrained by the government’s *intent* to be used for specific purposes but are neither restricted nor committed. Intent should be expressed by (a) the governing body itself or (b) a body or official to which the governing body has designated the authority to assign amounts to be used for specific purposes.
- Unassigned – unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount.

NEXTECH HIGH SCHOOL, GRAND RAPIDS
Notes to Basic Financial Statements
June 30, 2023

NexTech High School, Grand Rapids has not established a policy for its use of unrestricted fund balance amounts; it considers that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

12. Interfund Activity

Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers between governmental funds are eliminated in the Statement of Activities. Interfund transfers in the fund financial statements are reported as other financing sources/uses.

13. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note B – Cash Equivalents and Investments

The State of Michigan allows a political subdivision to authorize its Treasurer or other chief fiscal officer to invest surplus funds belonging to and under the control of the entity as follows:

- Bonds, securities, and other obligations of the United States, or an agency or instrumentality of the United States.
- Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution is a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and that maintains a principal office or branch office located in this state under the laws of this state or the United States.
- Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of the purchase.
- United States or federal agency obligation repurchase agreements.
- Banker's acceptances of United States Banks.
- Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.
- Investment pools, as authorized by the surplus funds investment pool act, Act 367 of the Public Acts of 1982, being sections 129.11 to 129.118 of the Michigan Compiled Laws composed entirely of instruments that are legal for direct investment by a school academy in Michigan.

NEXTECH HIGH SCHOOL, GRAND RAPIDS
Notes to Basic Financial Statements
June 30, 2023

Balances at June 30, 2023 related to cash equivalents are detailed in the Basic Financial Statements as follows:

Statement of Net Position:	
Governmental activities	<u>\$ 137,691</u>

Cash Equivalents

Depositories actively used by the Academy during the year are detailed as follows:

- Huntington Bank
- Comerica Bank

Cash equivalents consist of bank public funds checking and savings accounts.

June 30, 2023 balances are detailed as follows:

Cash equivalents	<u>\$ 137,691</u>
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Custodial Credit Risk Related to Bank Deposits

Custodial credit risk is the risk that in the event of bank failure, the Academy's cash equivalents may not be returned to the Academy. Protection of Academy bank deposits is provided by the Federal Deposit Insurance Corporation. At year end, the carrying amount of the Academy's cash equivalents was \$137,691 and the bank balance was \$143,444. The total bank balance was covered by federal depository insurance.

Investments

As of June 30, 2023, the Academy had no surplus funds that were classified as investments. The Academy's policies to minimize investment risk are as follows:

Custodial Credit Risk Related to Investments

Custodial credit risk is the risk that, in the event of a failure of the counterparty, the Academy may not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Academy does not have a policy for investment custodial credit risk. At June 30, 2023, the Academy had no investments that were subject to custodial credit risk.

Credit Risk Related to Investments

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The Academy's investment policy does not specifically address credit risk but minimizes its credit risk by limiting investments to the types allowed by the State.

Interest Rate Risk

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

NEXTECH HIGH SCHOOL, GRAND RAPIDS
Notes to Basic Financial Statements
June 30, 2023

Concentration of Credit Risk

The Academy minimizes concentration of credit risk which is the risk of loss attributed to the magnitude of the Academy's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. The Academy's investment policy places no restrictions on the amount or percentage that may be invested in any one type of security.

Foreign Currency Risk

The Academy is not authorized to invest in investments which have this type of risk.

Note C – State School Aid

On March 15, 1994, the voters of the State of Michigan approved Proposal A, which increased the State Sales and Use Tax rates from 4% to 6% and established a State Education Tax at a rate of 6 mills on all property, except that which is exempt by law from ad valorem property taxes, and dedicated the additional revenues generated to Michigan school districts.

These additional State revenues pass through to Michigan schools in the form of a per pupil "Foundation Allowance" paid on a "blended count" of Academy pupil membership in February 2022, and October 2022. The 2022-23 "Foundation Allowance" for NexTech High School, Grand Rapids was \$9,150 for 130 "Full Time Equivalent" students, generating \$1,273,817 in state aid payments to the Academy of which \$245,147 was paid to the Academy in July and August 2023 and included in "Due From Other Governmental Units" of the General Fund.

Note D – Capital Assets

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

	<u>Balances</u> <u>July 1, 2022</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balances</u> <u>June 30, 2023</u>
Capital assets being depreciated/ amortized:				
Leasehold improvements	\$ 38,193	\$ -	\$ -	\$ 38,193
Furniture and equipment	8,046	-	-	8,046
Right of use asset - building	1,993,648	-	-	1,993,648
Total capital assets being depreciated/amortized	<u>2,039,887</u>	<u>\$ -</u>	<u>\$ -</u>	<u>2,039,887</u>
Less accumulated depreciation for:				
Leasehold improvements	12,665	\$ 3,005	\$ -	15,670
Furniture and equipment	8,046	-	-	8,046
Less accumulated amortization for:				
Right of use asset - building	332,275	332,275	-	664,550
Total accumulated depreciation/amortization	<u>352,986</u>	<u>\$ 335,280</u>	<u>\$ -</u>	<u>688,266</u>
Net Capital Assets	<u>\$ 1,686,901</u>			<u>\$ 1,351,621</u>

NEXTECH HIGH SCHOOL, GRAND RAPIDS
Notes to Basic Financial Statements
June 30, 2023

Depreciation/amortization expense was charged to Academy activities as follows:

Governmental activities:	
Instruction	\$ 3,005
Supporting services	<u>332,275</u>
	<u>\$ 335,280</u>

Note E – Short-term Debt

On August 25, 2021, the Academy borrowed \$150,000 for cash flow purposes at 3.69% interest. The note was paid in full on September 25, 2022. On August 29, 2022, the Academy borrowed an additional \$150,000 for cash flow purposes, at 6.44% interest. The due date on the note is August 25, 2023, and interest expense for the year was \$5,927.

	Debt Outstanding July 1, 2022	Debt Added	Debt Retired	Debt Outstanding June 30, 2023
Short-term note	\$ 37,500	\$ 150,000	\$ 150,000	\$ 37,500

Note F – Long-term Obligations

Changes in long-term obligations for the year ended June 30, 2023 are summarized as follows:

	Debt Outstanding July 1, 2022	Debt Added	Debt Retired	Debt Outstanding June 30, 2023
Lease liabilities	\$ 1,749,120	\$ -	\$ 300,797	\$ 1,448,323

Long-term obligations outstanding at June 30, 2023 is comprised of the following:

	Final Maturity Dates	Interest Rates	Outstanding Balance	Amount Due Within One Year
Lease liabilities				
\$1,697,158 Building Lease July 1, 2018:				
Annual maturities of \$250,267 to \$337,276	June 30, 2027	4.5	\$ 1,215,658	\$ 271,736
\$296,489 Building Lease July 1, 2022:				
Annual maturities of \$50,530 to \$63,223	June 30, 2027	4.5	<u>232,665</u>	<u>54,440</u>
			<u>\$ 1,448,323</u>	<u>\$ 326,176</u>

NEXTECH HIGH SCHOOL, GRAND RAPIDS
Notes to Basic Financial Statements
June 30, 2023

The annual requirements to pay principal and interest on lease liability obligations are as follows:

Years Ending June 30	Lease Liabilities		Total
	Principal	Interest	
2024	\$ 326,176	\$ 58,509	\$ 384,685
2025	351,253	43,319	394,572
2026	377,460	26,978	404,438
2027	393,434	9,448	402,882
	<u>\$ 1,448,323</u>	<u>\$ 138,254</u>	<u>\$ 1,586,577</u>

Note G – Risk Management

The Academy is exposed to various risks of loss related to general liability. The Academy has obtained insurance coverage for such risks. There have been no significant reductions in insurance coverage during the 2022-23 fiscal year, and claims did not exceed coverage less retained risk deductible amounts during the past three years.

Note H – New Accounting Pronouncement Adopted

Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)* was adopted by the Academy during the fiscal year ending June 30, 2023. This statement enhances the relevance and consistency of information about governments' SBITAs by requiring recognition of right-to-use subscription assets and a corresponding subscription liability. Upon implementation, the Academy was not required to recognize a right-to-use subscription asset or subscription liability as of July 1, 2022.

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SUPPLEMENTARY INFORMATION

NEXTECH HIGH SCHOOL GRAND RAPIDS
Student/School Activity Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the year ended June 30, 2023

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues			
Local sources	\$ 1,500	\$ 1,429	\$ (71)
Expenditures			
Current:			
Other student/school activities	1,500	-	1,500
Net Change in Fund Balance	-	1,429	1,429
Fund Balance, Beginning of Year	1,734	1,734	-
Fund Balance, End of Year	<u>\$ 1,734</u>	<u>\$ 3,163</u>	<u>\$ 1,429</u>

INTERNAL CONTROL AND COMPLIANCE

**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***

October 31, 2023

The Board of Directors
NexTech High School, Grand Rapids

We have audited, 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, the financial statements of the governmental activities, the major fund and the aggregate remaining fund information of NexTech High School, Grand Rapids (the “Academy”), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Academy’s basic financial statements, and have issued our report thereon dated October 31, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Academy’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Academy’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Academy’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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

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 Academy's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Hungerford Nichols".

Certified Public Accountants
Grand Rapids, Michigan