

CASMAN Alternative Academy

**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT**

June 30, 2025

CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT.....	2
MANAGEMENT'S DISCUSSION AND ANALYSIS.....	5
BASIC FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION.....	10
STATEMENT OF ACTIVITIES.....	11
BALANCE SHEET - GOVERNMENTAL FUND.....	12
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE - GOVERNMENTAL FUND.....	13
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE WITH THE ACADEMY-WIDE STATEMENT OF ACTIVITIES.....	14
NOTES TO FINANCIAL STATEMENTS.....	15
REQUIRED SUPPLEMENTARY INFORMATION	
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND.....	23
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 <i>GOVERNMENT AUDITING STANDARDS</i>	24



DENNIS, GARTLAND & NIERGARTH

Business Advisors Since 1973

Certified Public Accountants

Brad P. Niergarth, CPA
James G. Shumate, CPA
Shelly K. Bedford, CPA
Heidi M. Wendel, CPA
Shelly A. Ashmore, CPA
James M. Taylor, CPA
Trina B. Ochs, CPA
John A. Blair, CPA
Aaron J. Mansfield, CPA
Elizabeth A. Hedden, CPA
Jonathan P. Benjamin, CPA

INDEPENDENT AUDITOR'S REPORT

Board of Education
CASMAN Alternative Academy

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and the major fund of **CASMAN Alternative Academy** (the "Academy") as of and for the year ended June 30, 2025, 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 and the major fund of the Academy, as of June 30, 2025 and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of 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 these financial statements in accordance with accounting principles generally accepted in the United States of America, and 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 generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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, and the budgetary comparison schedule as identified in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2025, 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.

Dennis, Gartland & Niergarth

Certified Public Accountants
Traverse City, Michigan

September 19, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of CASMAN Alternative Academy's (the "Academy") annual financial report presents a discussion and analysis of the Academy's financial performance during the fiscal year that ended on June 30, 2025. Please read it in conjunction with the Academy's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The Academy's financial position increased during the year due to less building improvement expenditures.
- The State of Michigan foundation grant remained unchanged from the prior year at \$9,608.

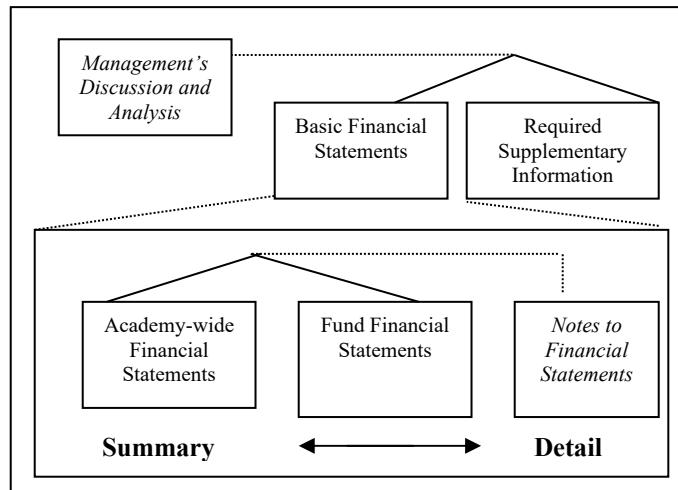
OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Academy:

- The first two statements are the *Academy-wide financial statements* that provide both *short-term* and *long-term* information about the Academy's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the Academy, reporting the Academy's operations *in more detail* than the Academy-wide statements.
- The *governmental funds* statements tell how *basic* services like regular and special education were financed in the *short-term* as well as what remains for future spending.

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 this annual report are arranged and related to one another.

Figure A-1
CASMAN Alternative Academy's
Annual Financial Report



ACADEMY-WIDE STATEMENTS

One of the most important questions asked about the Academy is, “As a whole, what is the Academy’s financial condition as a result of the year’s activities?” The statement of net position and the statement of activities, which appear first in the Academy’s financial statements, report information about the Academy as a whole and its activities in a way that helps answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year’s revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Academy’s net position – the difference between assets and liabilities, as reported in the statement of net position – as one way to measure the Academy’s operating results. However, the Academy’s goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the quality of the education provided and the safety of the schools to assess the overall health of the Academy.

The statement of net position and the statement of activities report the governmental activities for the Academy, which encompass all the Academy’s services, including instruction and supporting services. State foundation allowance and grant revenues finance most of these activities.

FUND FINANCIAL STATEMENTS

The Academy’s fund financial statements provide detailed information about the fund – not the Academy as a whole. Some funds are required to be established by state law. The governmental fund of the Academy uses the following accounting approach:

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

FINANCIAL ANALYSIS OF THE ACADEMY AS A WHOLE

The Academy’s *combined* net position was less on June 30, 2025 than they were the year before – decreasing by \$29,111.

The Academy’s financial position for the year is the product of a stable student count, and control on expenditures.

Table A-2
CASMAN Alternative Academy's Net Position

	2024	2025
Current assets	\$ 564,140	\$ 614,960
Capital assets, net	480,578	446,836
Total assets	1,044,718	1,061,796
Current liabilities	52,493	98,682
Net position		
Invested in capital assets	480,578	446,836
Unrestricted	511,647	516,278
Total net position	\$ 992,225	\$ 963,114

Table A-3
Changes in CASMAN Alternative Academy's Net Position

	2024	2025
Revenues		
Operating grants and contributions	\$ 308,381	\$ 164,703
State aid unrestricted	603,287	615,016
Other	16,488	27,461
Total revenues	928,156	807,180
Expenses		
Instruction	321,774	313,698
Supporting services	426,323	477,351
Other	11,500	11,500
Unallocated depreciation	33,157	33,742
Total expenses	792,754	836,291
Change in Net Position	135,402	(29,111)
Net Position - Beginning of year	856,823	992,225
Net Position - End of year	\$ 992,225	\$ 963,114

FINANCIAL ANALYSIS OF THE ACADEMY'S FUNDS

The financial performance of the Academy as a whole is reflected in its governmental fund as well. As the Academy completed the year, its governmental fund reported a fund balance of \$516,278, which is \$4,631 more than last year's ending fund balance of \$511,647.

General Fund Budgetary Highlights

Over the course of the year, the Academy revised its annual operating budget several times. These budget amendments are as follows:

- Changes made during the year to accurately reflect the student count, staffing changes and building expenditures throughout the year.
- While the final budget for the general fund anticipated that revenues and expenditures would reflect a decrease of \$41,041, the actual results for the year show an excess of \$4,631. This was mainly due to conservative budgeting and timing of grant revenues.

CAPITAL ASSETS

Depreciable assets for the 2024/2025 school year totaled \$947,700.

Table A-4
CASMAN Alternative Academy's Capital Assets

	Beginning Balance	Additions	Retirements	Ending Balance
Capital assets not being depreciated:				
Land	\$ 37,833	\$ -	\$ -	\$ 37,833
Capital assets being depreciated:				
Building and improvements	658,067	-	-	658,067
Furniture and equipment	289,633	-	-	289,633
Total depreciable assets	947,700	-	-	947,700
Gross capital assets	985,533	-	-	985,533
Accumulated depreciation:	(504,955)	(33,742)	-	(538,697)
Net governmental capital assets	\$ 480,578	\$ (33,742)	\$ -	\$ 446,836

FACTORS BEARING ON THE ACADEMY'S FUTURE

At the time these financial statements were prepared and audited, the Academy was aware of the following existing circumstances that could significantly affect its financial health in the future:

- The 2025-2026 foundation allowance is still undetermined due to not having the state budget finalized. Student enrollment is always fluctuating and a concern that will be closely monitored.

CONTACTING THE ACADEMY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, 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 CASMAN Alternative Academy Business Office at 772 East Parkdale Avenue, Manistee, MI, 49660.

CASMAN Alternative Academy

STATEMENT OF NET POSITION

June 30, 2025

	<u>Governmental Activities</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 458,764
Due from other governmental units	146,232
Prepaid expenses	<u>9,964</u>
Total current assets	614,960
Capital assets, net of accumulated depreciation	<u>446,836</u>
Total assets	<u><u>\$ 1,061,796</u></u>
LIABILITIES AND NET POSITION	
LIABILITIES	
Current liabilities	
Accrued payroll expenses	\$ 44,173
Unearned revenue	<u>54,509</u>
Total current liabilities	<u>98,682</u>
NET POSITION	
Net investment in capital assets	446,836
Unrestricted	<u>516,278</u>
Total net position	<u>963,114</u>
Total liabilities and net position	<u><u>\$ 1,061,796</u></u>

CASMAN Alternative Academy

STATEMENT OF ACTIVITIES

Year Ended June 30, 2025

Functions/Program	Expenses	Program Revenues		Net (Expense)/ Revenue and Changes in Net Position
		Operating Grants and Contributions	Governmental Activities	
Governmental activities				
Instruction	\$ 313,698	\$ 22,533	\$ (291,165)	
Support services	477,351	142,170	(335,181)	
Other	11,500	-	(11,500)	
Depreciation - unallocated	<u>33,742</u>	<u>-</u>	<u>(33,742)</u>	
Total governmental activities	<u>\$ 836,291</u>	<u>\$ 164,703</u>		<u>(671,588)</u>
General purpose revenues				
State school aid - unrestricted			615,016	
Other			<u>27,461</u>	
Total general purpose revenue			<u>642,477</u>	
Change in net position			(29,111)	
Net position, beginning of year			<u>992,225</u>	
Net position, end of year			<u>\$ 963,114</u>	

CASMAN Alternative Academy

BALANCE SHEET - GOVERNMENTAL FUND

June 30, 2025

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 458,764
Due from other governmental units	146,232
Prepaid expenditures	<u>9,964</u>
 Total assets	 <u>\$ 614,960</u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accrued payroll and related liabilities	\$ 44,173
Unearned revenue	<u>54,509</u>
 Total liabilities	 <u>98,682</u>
FUND BALANCE	
Nonspendable - prepaid expenditures	9,964
Committed for subsequent year expenditures	4,857
Unassigned	<u>501,457</u>
 Total fund balance	 516,278

Reconciliation of Governmental Fund Balances to Academy-Wide Governmental Activities Net Position

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 the assets is \$985,533 and the accumulated depreciation is \$538,697.	<u>446,836</u>
Total net position - governmental activities	<u><u>\$ 963,114</u></u>

CASMAN Alternative Academy

STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE - GOVERNMENTAL FUND

Year Ended June 30, 2025

	<u>General Fund</u>
Revenues	
Local revenues	\$ 27,461
State revenues	713,057
Federal revenues	64,999
Other	<u>1,663</u>
Total revenues	<u>807,180</u>
Expenditures	
Instruction	313,698
Support services	463,734
Other	11,500
Capital outlay	<u>13,617</u>
Total expenditures	<u>802,549</u>
REVENUES OVER EXPENDITURES	4,631
Fund balance, beginning of year	<u>511,647</u>
Fund balance, end of year	<u>\$ 516,278</u>

CASMAN Alternative Academy

RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE WITH THE ACADEMY-WIDE STATEMENT OF ACTIVITIES

Year Ended June 30, 2025

Total Net Change in Fund Balances - Governmental Fund	\$	4,631
--	----	-------

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays to purchase or build capital assets are reported in the governmental fund as expenditures. However, costs that meet the capitalization policy are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities.

Depreciation expense	<u>(33,742)</u>
----------------------	-----------------

Change in Net Position of Governmental Activities	\$ <u>(29,111)</u>
--	--------------------

CASMAN Alternative Academy

NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Introduction

CASMAN Alternative Academy (the "Academy") primarily serves the Manistee community. As of June 30, 2025, the Academy contracted 6 professional and 5 non-professional staff, and had 61 students enrolled at the Academy.

The accounting policies of the Academy conform to generally accepted accounting principles as applicable to governments. The Academy is considered to be a local government unit.

The accounting and reporting framework and the more significant accounting principles and practices of the Academy are discussed in subsequent sections of this note. The remainder of the notes are organized to provide explanations, including required disclosures, of the Academy's financial activities for the fiscal year ended June 30, 2025.

The Financial Reporting Entity

The Academy is a Michigan non-profit corporation which operates as a Public School Academy in Manistee County, Michigan, pursuant to Part 6B of the Michigan School Code of 1976, Act No. 451 of the Public Acts of 1976, as amended, being Sections 380.501 to 380.519 of the Michigan Compiled Laws.

State law requires that a public school academy be authorized and monitored by a local oversight agency. The oversight agency can be a public university, a community college, an intermediate school district or a local school district. The Manistee Intermediate School District is the oversight agency for the Academy.

The Academy is governed by a Board of Education (the "Board") of five to nine members. The Academy receives funding from local, State and Federal government sources and must comply with the concomitant requirements of these funding source entities. The Academy is not included in any other governmental "reporting entity," as defined in Governmental Accounting Standards Board ("GASB") Statement #14, as amended, since Board members have the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters. In addition, under the criteria of the GASB pronouncement, student, parent and teacher organizations are not included, except to the extent that the Academy holds assets in the capacity of an agent.

Academy-Wide and Fund Financial Statements

Academy-Wide Financial Statements

The statement of net position and statement of activities display information about the Academy as a whole, except for its fiduciary activities. Individual funds are not displayed.

NOTES TO FINANCIAL STATEMENTS - Continued

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the Academy; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. Other revenue sources not properly included with program revenues are reported as general revenues.

Fund Financial Statements

The balance sheet and statement of revenues, expenditures and change in fund balance (i.e., fund financial statements) for the Academy's governmental fund are presented after the Academy-wide statements. These statements display information about major funds individually for governmental funds. Major funds are generally those that represent 10% or more of governmental fund assets, liabilities, revenues or expenditures. The Academy's only fund is the General Fund.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements of the Academy are prepared in accordance with generally accepted accounting principles ("GAAP"). The Academy's reporting entity applies all relevant Governmental Accounting Standards Board ("GASB") pronouncements.

The Academy-wide statements report using the economic resource measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). Reimbursements are reported as reductions to expenses. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Academy considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for long-term debt principal and interest, which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include intergovernmental revenues and investment income. In general, other revenues are recognized when cash is received.

Fund Types and Major Funds

Activities in Major Funds

The General Fund is the general operating fund of the Academy. It is used to account for all financial resources and is the Academy's only fund.

NOTES TO FINANCIAL STATEMENTS - Continued

Cash and Cash Equivalents

The Academy's reporting entity considers highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents.

Capital Assets

Capital assets are recorded at cost or, if donated, the fair value at the time of donation. Capital assets are depreciated over their estimated useful lives ranging from 5 to 50 years. The Academy generally capitalizes assets with costs of \$5,000 or more as purchase and construction outlays occur. No depreciation is recorded on land or construction-in-process. Expenditures for major renewals and betterments that extend the useful lives of the capital assets are capitalized. Expenditures for maintenance and repairs are charged to current expenditures as incurred. Depreciation is computed using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

Estimated useful lives for depreciable assets are as follows:

Buildings and improvements	20 - 50 years
Furniture and equipment	5 - 20 years

Fund Equity

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned or unassigned. Nonspendable fund balance cannot be spent because of its form. Restricted fund balance has limitations imposed by creditors, grantors or contributors, or by enabling legislation or constitutional provisions. Committed fund balance is a limitation imposed by the Board through approval of resolutions. Assigned fund balance is a limitation imposed by a designee of the Board. Unassigned fund balance in the General Fund is the net resources in excess of what can be properly classified in one of the above four categories.

Program Revenues

Program revenues derive directly from the program itself or from outside parties for the restricted use in a particular program. On the statement of activities, program revenues reduce the net cost of the various functions to reflect the amount which is financed from the Academy's general revenues.

The Academy's most significant program revenues are Title I and At-risk funds, which are reported as operating grants and contributions.

Spending Policy

When both restricted and unrestricted fund balances are available for use, it is the Academy's policy to use restricted fund balance first, then unrestricted fund balance. Furthermore, committed fund balances are 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 can be used.

Encumbrance Accounting

The Academy formally records encumbrances in the accounting records during the year as a normal practice. In accordance with generally accepted accounting principles, outstanding encumbrances at year-end for which goods or services are received are reclassified as expenditures and accounts payable. All other encumbrances in the annual budgeted funds are reversed at year-end and are either canceled or are included as reappropriations of fund balance for the subsequent year.

Allocation of Expenses

The Academy reports each function's direct expenses, those that are specifically associated with a service, program or department and, thus, are clearly identifiable to a particular function.

The Academy has elected to not allocate indirect expenses.

Use of Estimates in the Preparation of Financial Statements

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

NOTE B - BUDGETARY POLICY AND PRACTICE

The Academy has adopted these procedures in establishing the budgets as reflected in the financial statements:

1. As early as possible in the preceding fiscal year (generally in the spring), the Director formulates a preliminary budget for the coming year, which is then submitted to the Board of Education for their review.
2. A public hearing is held prior to June 30 on the proposed budgets to obtain taxpayer comments.
3. The Board of Education reviews the proposed budget and then in June adopts a formal resolution approving the needed appropriations for the coming operating year.

NOTES TO FINANCIAL STATEMENTS - Continued

4. All transfers of budget amounts and any amendments to the formal Appropriation Act are approved by the Board of Education.
5. It is the Director's responsibility to supervise and monitor the budget process. This is done by reviewing the monthly financial data and reporting and recommending any needed amendments to the Board of Education.
6. The budget is adopted on a basis consistent with generally accepted accounting principles.
7. The budgets presented in these financial statements are as originally adopted and as formally amended by the Board of Education.
8. All annual appropriations lapse at fiscal year-end.

Excess of Expenditures over Appropriations in Budgeted Funds

Michigan Public Act 621 of 1978 provides that a local unit shall not incur expenditures in excess of the amounts appropriated. During the year ended June 30, 2025, the Academy was not in compliance with the Act as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Support services			
Business services	\$ 28,600	\$ 30,660	\$ (2,060)
Other central support	64,500	70,811	(6,311)

NOTE C - CASH AND CASH EQUIVALENTS

At June 30, 2025, the Academy's cash and cash equivalents included the following:

Cash on hand	\$ 200
Bank deposits	<u>458,564</u>
	<u><u>\$ 458,764</u></u>

Bank Deposits

All cash of the Academy is on deposit with a financial institution which provides FDIC insurance coverage.

Custodial Credit Risk - Deposits

As of June 30, 2025, \$213,262 of the Academy's bank balance of \$463,262 was exposed to custodial credit risk due to being uninsured or uncollateralized.

NOTES TO FINANCIAL STATEMENTS - Continued

NOTE D - INTERGOVERNMENTAL RECEIVABLES AND UNEARNED REVENUE

Intergovernmental receivables are primarily comprised of amounts due from the State and Federal governments. Revenue is recorded as earned when eligibility requirements are met. Grant revenues deferred in the governmental fund financial statements include unearned revenue and revenue received more than 60 days following year-end (unavailable to pay liabilities of the current period). Unearned revenue in the government-wide statements consists of categorical and other grant monies received but not yet earned at year-end.

Amounts due from other governmental units at June 30, 2025 are as follows:

Due from the State of Michigan - State aid	\$ 135,006
Due from Federal Grants	<u>11,226</u>
	<u><u>\$ 146,232</u></u>

NOTE E - CAPITAL ASSETS

Investments in capital assets consisted of the following:

	Beginning Balance	Additions	Retirements	Ending Balance
Buildings and improvements	\$ 658,067	\$ -	\$ -	\$ 658,067
Furniture and equipment	<u>289,633</u>	<u>-</u>	<u>-</u>	<u>289,633</u>
Total depreciable assets	947,700	-	-	947,700
Less accumulated depreciation	(504,955)	(33,742)	-	(538,697)
Land	<u>37,833</u>	<u>-</u>	<u>-</u>	<u>37,833</u>
Total capital assets, net	<u><u>\$ 480,578</u></u>	<u><u>\$ (33,742)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 446,836</u></u>

Depreciation expense was charged to the function in the statement of activities, as follows:

Unallocated	<u><u>\$ 33,742</u></u>
-------------	-------------------------

NOTE F - RISK MANAGEMENT

The Academy is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; unemployment benefits; and natural disasters. The Academy manages its risk exposures and provides certain employee benefits through a combination of self-insurance and risk management pools.

The Academy pays unemployment claims on a reimbursement basis through the Bureau of Workers' and Unemployment Compensation ("BWUC"). As BWUC pays eligible recipients benefits, this amount is billed to CASMAN Alternative Academy. At June 30, 2025, there were no significant unbilled claims.

NOTES TO FINANCIAL STATEMENTS - Continued

The Academy participates in SET-SEG's risk management pools for worker's compensation claims, liability insurance and errors and omissions coverages. SET-SEG was established pursuant to laws of the State of Michigan which authorize local units of government to jointly exercise any power, privilege or authority which each might exercise separately. The purpose of SET-SEG is to provide cooperative and comprehensive risk financing and risk control services. SET-SEG provides risk management, underwriting, reinsurance and claim review, and processing services for all member governments pursuant to its charter.

The Academy makes annual contributions to SET-SEG based on actuarial studies using historical data and insurance industry statistics. These contributions are paid from the General Fund. Such contributions as received by SET-SEG are allocated between its General and Member Retention Funds. Economic resources in SET-SEG's General Fund are expended for reinsurance coverage, claim payments and certain general and administrative costs, whereas resources in the Member Retention Fund are used for loss payments and defense costs up to the member's self-insurance retention limits along with certain other member-specific costs. Any refunds from SET-SEG are deposited in the Academy's General Fund.

NOTE G - PENSION PLAN

The Academy participates in a defined contribution pension plan (the "Plan") in conjunction with the employment agreement with Advance Educational Services, Inc., the company that leases employees to the Academy. The Plan covers substantially all contracted employees. The amount of covered payroll for the year ended June 30, 2025 was \$316,618; total payroll for the year ended June 30, 2025 was \$535,649. Employer contributions are based upon 3% of annual payroll for eligible employees. Employer contributions for the years ended June 30, 2025, 2024, and 2023 were \$9,349, \$8,233, and \$7,977, respectively. Employees are eligible to participate in the Plan after 250 hours of service during the six month period ending June 30th or December 31st, unless they were employed at October 1, 2011, the Plan's effective date. Employees vest 50% in employer contributions after one year of service and 100% after two years.

The Academy's Director is contracted through Manistee Intermediate School District ("Manistee ISD") to perform the Academy's administration of operations. Manistee ISD is part of the Michigan Public School Employees' Retirement System ("MPSERS") plan and, as part of the Director's contract, the Academy reimburses Manistee ISD for the Director's retirement plan contributions. Total retirement plan contributions reimbursed to Manistee ISD for the Academy's Director was \$27,571 for the year ended June 30, 2025.

NOTE H - COMMITMENTS AND CONTINGENCIES

Employment Agreements

The teachers and support personnel of the Academy are contracted employees of Advance Educational Services, Inc. The contract expires June 30, 2026 and can be cancelled with 90 days written notice.

REQUIRED SUPPLEMENTARY INFORMATION

CASMAN Alternative Academy

BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND

Year Ended June 30, 2025

	Budgeted Amounts		Actual (Budget Basis)	Variances - Positive (Negative)		
				Original to Final	Final to Actual	
	Original	Final				
Revenues						
Local revenues	\$ -	\$ 24,000	\$ 27,461	\$ 24,000	\$ 3,461	
State revenues	728,923	745,923	713,057	17,000	(32,866)	
Federal revenues	49,030	55,081	64,999	6,051	9,918	
Other	6,100	2,600	1,663	(3,500)	(937)	
Total revenues	784,053	827,604	807,180	43,551	(20,424)	
Expenditures						
Instruction						
Basic program	198,178	240,511	212,228	(42,333)	28,283	
Added needs	135,473	119,504	101,470	15,969	18,034	
Total instruction	333,651	360,015	313,698	(26,364)	46,317	
Support Services						
Pupil support	60,179	68,710	57,064	(8,531)	11,646	
Instructional staff support	15,105	21,869	16,805	(6,764)	5,064	
General administration	212,033	216,744	213,229	(4,711)	3,515	
Operations and maintenance	90,806	83,307	76,987	7,499	6,320	
Business services	31,100	28,600	30,660	2,500	(2,060)	
Transportation	10,250	13,300	11,795	(3,050)	1,505	
Other central support	42,922	64,500	70,811	(21,578)	(6,311)	
Total support services	462,395	497,030	477,351	(34,635)	19,679	
Other	11,600	11,600	11,500	-	100	
Total expenditures	807,646	868,645	802,549	(60,999)	66,096	
REVENUES OVER (UNDER) EXPENDITURES						
	(23,593)	(41,041)	4,631	(17,448)	45,672	
Fund balance, beginning of year	411,902	511,647	511,647	99,745	-	
Fund balance, end of year	\$ 388,309	\$ 470,606	\$ 516,278	\$ 82,297	\$ 45,672	



DENNIS, GARTLAND & NIERGARTH

Business Advisors Since 1973

Certified Public Accountants

Brad P. Niergarth, CPA
James G. Shumate, CPA
Shelly K. Bedford, CPA
Heidi M. Wendel, CPA
Shelly A. Ashmore, CPA
James M. Taylor, CPA
Trina B. Ochs, CPA
John A. Blair, CPA
Aaron J. Mansfield, CPA
Elizabeth A. Hedden, CPA
Jonathan P. Benjamin, CPA

**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***

Board of Education
CASMAN Alternative Academy

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of **CASMAN Alternative Academy** (the "Academy") as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements, and have issued our report thereon dated September 19, 2025.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

415 Munson Avenue • P.O. Box 947 • Traverse City, MI 49685 • 231.946.1722 ph • 231.946.2762 fax
923 Spring Street • P.O. Box 695 • Petoskey, MI 49770 • 231.347.4136 ph • 231.347.4147 fax
www.dgncpa.com

CPA America
Member



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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, as described below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

Criteria: All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principles ("GAAP"). This is a responsibility of the Academy's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing and summarizing accounting data (i.e., maintaining internal books and records) and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting).

Condition: As is the case with many smaller and medium-sized entities, the Academy has historically relied on its independent external auditors to assist in the preparation of the basic financial statements as part of its external financial reporting process. Accordingly, the Academy's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditors, who cannot by definition be considered a part of the Academy's internal controls.

Cause: This condition was caused by the Academy's decision that it is more cost effective to outsource the preparation of its annual financial statements to auditors than to incur the time and expense of obtaining the necessary resources required for the Academy to perform this task internally.

Effect: As a result of this condition, the Academy lacks internal controls over the preparation of financial statements in accordance with GAAP and instead relies, in part, on its external auditors for assistance with this task.

Recommendation: Once a draft of the financial statements is available, the Academy should perform a detailed review of the draft to address any questions or discrepancies from their internal books and records. Upon completion, the Academy should approve the financial statements and notes to accept responsibility for their content. Additionally, management should be proactive to enhance their training and expertise in accounting and external financial reporting by attending relevant training to demonstrate their ability to accept responsibility for the financial statements and notes.

Management's Response: The Academy has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interest of the Academy to outsource this task to its external auditors and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

Report on Compliance and Other Matters

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

Academy's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Academy's response to the findings identified in our audit and described above. The Academy's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 Academy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dennis, Gartland & Niergarth

Certified Public Accountants
Traverse City, Michigan

September 19, 2025