

**BLENDED LEARNING ACADEMIES CREDIT
RECOVERY HIGH SCHOOL**

**REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)**

YEAR ENDED JUNE 30, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Blended Learning Academies Credit Recovery High School

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Blended Learning Academies Credit Recovery High School, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Blended Learning Academies Credit Recovery High School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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 Blended Learning Academies Credit Recovery High School as of June 30, 2019, 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.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 1, 2019 on our consideration of Blended Learning Academies Credit Recovery High School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to solely 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 Blended Learning Academies Credit Recovery High School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Blended Learning Academies Credit Recovery High School's internal control over financial reporting and compliance.

Maney Costeiran PC

September 1, 2019

MANAGEMENT’S DISCUSSION AND ANALYSIS

This section of Blended Learning Academies Credit Recovery High School’s (the Academy) annual financial report presents our discussion and analysis of the Academy’s financial performance during the fiscal year that ended on June 30, 2019. Please read it in conjunction with the Academy’s financial statements, which immediately follow this section.

Financial Highlights

- The Academy’s general fund balance at the beginning of the year was \$176,740 and increased by \$170,904 to \$347,644 at the end of the 2018 - 2019 year.
- The Academy created a Capital Projects Fund during the year with the purpose of funding future projects related to the Academy’s building.

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 *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 the annual report are arranged and related to one another.

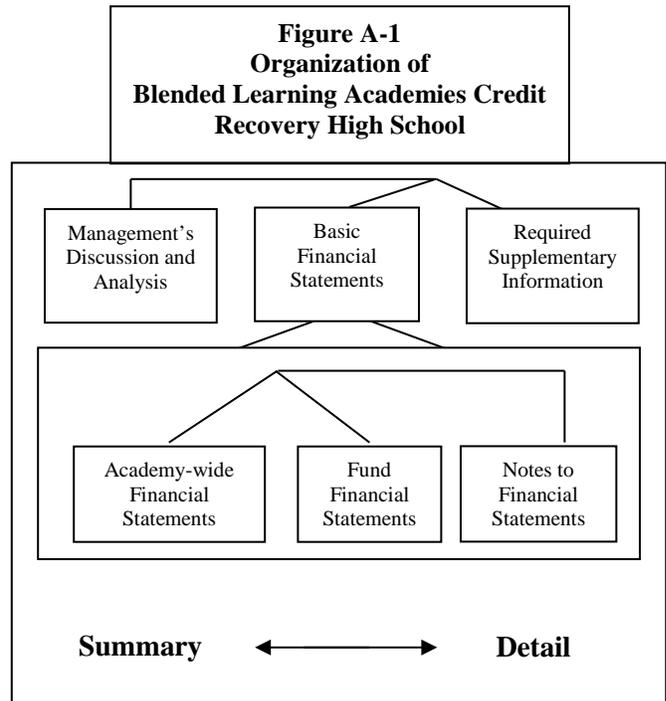


Figure A-2 below summarizes the major features of the Academy’s financial statements, including the portion of the Academy’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights the structure and contents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

	Academy-wide statements	Governmental funds
Scope	Entire Academy	The activities of the Academy that are not proprietary or fiduciary, such as special education and building maintenance.
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

Academy-wide statements

The Academy-wide statements report information about the Academy as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the Academy’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two Academy-wide statements report the Academy’s net position and how they have changed. Net position - the difference between the Academy’s assets and liabilities, is one way to measure the Academy’s financial health or position.

- Over time, increases or decreases in the Academy’s net position is an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the Academy, you need to consider additional non-financial factors such as changes in the Academy’s enrollment, the condition of school buildings and other facilities, and the Academy’s ability to be competitive with other public school academies and area school districts.

Governmental activities - The Academy’s basic services are included in here, such as regular education and special education, and administration. State foundation aid finances most of these activities

Fund financial statements

The fund financial statements provide more detailed information about the Academy’s funds, focusing on its more significant or “major” funds - not the Academy as a whole. Funds are accounting devices the Academy uses to keep track of specific sources of funding and spending on particular programs. The Academy has a general fund.

- Some funds are required by State law and by debt agreements.
- The Academy can establish other funds to control and manage money for particular purposes.

All of the Academy’s basic services are included in governmental funds which generally focus on (1) how cash and other financial assets 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 statement that explains the relationship (or difference) between them.

Financial analysis of the Academy as a whole

Net position - the Academy’s combined net position of \$442,393 increased by \$183,763 during the year.

The total revenues increased by 18% to \$1,055,525. This was due to enrollment increase of 16%. State aid foundation allowance included in revenue from state sources accounts for 90% of the Academy’s revenues in 2019.

The total cost of instruction decreased by 3%, or \$6,119, to \$224,119. Total support services increased by 12%, or \$66,545, to \$626,904.

See figures A-3 and A-4.

Academy governmental activities

Figure A-3		
Blended Learning Academies Credit Recovery High School Net Position		
	2019	2018
Current and other	\$ 492,165	\$ 296,130
Capital assets	82,749	81,890
Total assets	574,914	378,020
Other liabilities	132,521	119,390
Total liabilities	132,521	119,390
Net position:		
Net investment in capital assets	82,749	81,890
Unrestricted	359,644	176,740
Total net position	\$ 442,393	\$ 258,630

Figure A-4
Change in Blended Learning Academies Credit Recovery High School's Net Position

	2019	2018
Revenues:		
Program revenues:		
Federal and state categorical grants	\$ 137,947	\$ 122,220
General revenues:		
State aid - unrestricted	844,730	692,243
ISD sources	72,848	57,595
Other	-	18,944
Total general revenues	917,578	768,782
Total revenues	1,055,525	891,002
Expenses:		
Instruction	224,119	230,238
Support services	626,904	560,359
Unallocated depreciation	20,739	15,843
Total expenses	871,762	806,440
Change in net position	\$ 183,763	\$ 84,562

Financial analysis of the Academy's funds

The fund balance in the general fund increased by \$170,904 to \$347,644. The fund balance as a percentage of 2019 total general fund expenditures is approximately 40%.

General fund budgetary highlights

Over the course of the year, the Academy revised the general fund annual operating budget when necessary. Changes were made in both revenue and expenditures which reflected anticipated increases in state aid and actual salary figures for staff.

The Academy's final budget for the general fund anticipated revenues would exceed expenditures by \$117,868. The actual results for the year showed revenues \$170,904 higher than expenditures and other financing sources (uses).

Actual revenues were \$45,746 less than budgeted, a (4.2%) variance due to unspent federal grants.

Actual expenditures and other financing uses were \$98,782 less than budgeted, a (11.3%) variance due to unspent federal grants.

Capital asset and debt administration

Capital assets

As of the year ended June 30, 2019, the Academy had invested \$82,749 in capital assets consisting primarily of technology and equipment and furniture and fixtures net of accumulated depreciation. This amount represents a net increase in capital assets of \$859 from the beginning of the year. More detailed information about capital assets can be found in Note 3 to the financial statements. Total depreciation expense for the year was \$20,739. The Academy's capital assets are as follows:

	2019			2018
	Cost	Accumulated depreciation	Net book value	Net book value
Technology and equipment	\$ 100,291	\$ 53,347	\$ 46,944	\$ 55,318
Furniture and fixtures	42,668	6,863	35,805	26,572
Total	<u>\$ 142,959</u>	<u>\$ 60,210</u>	<u>\$ 82,749</u>	<u>\$ 81,890</u>

Economic Factors bearing on the Academy's future

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

- Enrollment is expected to increase in 2019 - 2020.
- The Academy has adopted a budget for the 2019 - 2020 fiscal year in which revenues exceed expenditures by \$431.

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 1754 Clark Rd, Lansing, Michigan, 48906. Phone (517) 574-4667.

BASIC FINANCIAL STATEMENTS

**BLENDLED LEARNING ACADEMIES CREDIT RECOVERY HIGH SCHOOL
STATEMENT OF NET POSITION
JUNE 30, 2019**

	<u>Governmental activities</u>
ASSETS:	
Cash and cash equivalents	\$ 283,727
Intergovernmental receivable	208,438
Capital assets, net of accumulated depreciation	<u>82,749</u>
TOTAL ASSETS	<u><u>574,914</u></u>
 LIABILITIES:	
Accounts payable	112,109
Accrued personnel costs and related items	18,210
Other accrued expenses	<u>2,202</u>
TOTAL LIABILITIES	<u><u>132,521</u></u>
 NET POSITION:	
Net investment in capital assets	82,749
Unrestricted	<u>359,644</u>
TOTAL NET POSITION	<u><u>\$ 442,393</u></u>

**BLENDLED LEARNING ACADEMIES CREDIT RECOVERY HIGH SCHOOL
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019**

<u>Functions/programs</u>	<u>Expenses</u>	<u>Program revenues</u>		<u>Governmental activities</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Net (expense)</u>
		<u>services</u>	<u>grants</u>	<u>revenue and</u>
				<u>changes in</u>
				<u>net position</u>
Governmental activities:				
Instruction	\$ 224,119	\$ -	\$ 126,240	\$ (97,879)
Support services	626,904	-	11,707	(615,197)
Unallocated depreciation	20,739	-	-	(20,739)
Total governmental activities	<u>\$ 871,762</u>	<u>\$ -</u>	<u>\$ 137,947</u>	<u>(733,815)</u>
General revenues:				
State sources - unrestricted				844,730
ISD sources				72,848
Total general revenues				<u>917,578</u>
CHANGE IN NET POSITION				183,763
NET POSITION, beginning of year				<u>258,630</u>
NET POSITION, end of year				<u>\$ 442,393</u>

**BLENDLED LEARNING ACADEMIES CREDIT RECOVERY HIGH SCHOOL
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019**

	General fund	Nonmajor (capital project) fund	Total governmental funds
ASSETS			
ASSETS:			
Cash and cash equivalents	\$ 283,727	\$ -	\$ 283,727
Receivables:			
Intergovernmental	208,438	-	208,438
Due from other funds	-	12,000	12,000
	\$ 492,165	\$ 12,000	\$ 504,165
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	\$ 112,109	\$ -	\$ 112,109
Accrued personnel costs and related items	18,210	-	18,210
Other accrued expenses	2,202	-	2,202
Due to other funds	12,000	-	12,000
	144,521	-	144,521
FUND BALANCES:			
Assigned for:			
Capital projects	-	12,000	12,000
Unassigned	347,644	-	347,644
	347,644	12,000	359,644
TOTAL LIABILITIES AND FUND BALANCES			
	\$ 492,165	\$ 12,000	\$ 504,165
Total governmental fund balances			\$ 359,644
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 are not reported in the funds:			
The cost of the capital assets is		\$ 142,959	
Accumulated depreciation is		(60,210)	
			82,749
Net position of governmental activities			\$ 442,393

**BLENDLED LEARNING ACADEMIES CREDIT RECOVERY HIGH SCHOOL
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2019**

	General fund	Nonmajor (capital project) fund	Total governmental funds
REVENUES:			
State sources	\$ 947,211	\$ -	\$ 947,211
Federal sources	33,417	-	33,417
Intermediate sources	74,897	-	74,897
Total revenues	<u>1,055,525</u>	<u>-</u>	<u>1,055,525</u>
EXPENDITURES:			
Instruction:			
Basic programs	121,376	-	121,376
Added needs	102,743	-	102,743
Total instruction	<u>224,119</u>	<u>-</u>	<u>224,119</u>
Support services:			
Pupil	132,987	-	132,987
Instructional staff	96,916	-	96,916
General administration	41,023	-	41,023
Business	41,597	-	41,597
Operation and maintenance	126,002	-	126,002
Central support services	202,055	-	202,055
Other support services	7,922	-	7,922
Total support services	<u>648,502</u>	<u>-</u>	<u>648,502</u>
Total expenditures	<u>872,621</u>	<u>-</u>	<u>872,621</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>182,904</u>	<u>-</u>	<u>182,904</u>
OTHER FINANCING SOURCES (USES):			
Transfers out	(12,000)	-	(12,000)
Transfers in	-	12,000	12,000
Total other financing sources (uses)	<u>(12,000)</u>	<u>12,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>170,904</u>	<u>12,000</u>	<u>182,904</u>
FUND BALANCES:			
Beginning of year	176,740	-	176,740
End of year	<u>\$ 347,644</u>	<u>\$ 12,000</u>	<u>\$ 359,644</u>

**BLENDLED LEARNING ACADEMIES CREDIT RECOVERY HIGH SCHOOL
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019**

Net change in fund balances total governmental funds	\$ 182,904
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. In the statement of activities these costs are allocated over their estimated useful lives as depreciation:	
Depreciation expense	(20,739)
Capital outlay	<u>21,598</u>
Change in net position of governmental activities	<u>\$ 183,763</u>

**BLENDLED LEARNING ACADEMIES CREDIT RECOVERY HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Academy. The Academy currently does not have fiduciary activities. *Governmental activities* normally are supported by intergovernmental revenues.

B. Reporting Entity

Blended Learning Academies Credit Recovery High School (the “Academy”) is a public school academy as part of the Michigan Public School System under Public Act No. 362 of 1993. The Academy was incorporated in April 2014. Ferris State University is the authorizing governing body for the Academy and has contracted with the Academy to charter the public school through June 2019. Board members are approved by the authorizing governing body and have decision making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. The Academy receives funding from local, state, and federal sources and must comply with all of the requirements of these funding source entities. However, the Academy is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. In addition, the Academy’s reporting entity does not contain any component units as defined in Governmental Accounting Standards Board (GASB) Statements.

C. Basis of Presentation - Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental funds.

As a general rule, the effect of interfund activity (if any) has been eliminated from the government-wide financial statements.

D. Basis of Presentation - Fund Financial Statements

The fund financial statements provide information about the Academy’s funds. The emphasis of fund financial statements is on major governmental funds. The only fund the Academy currently operates, which is also the only major governmental fund of the Academy, is the general fund.

The Academy reports the following major governmental fund:

The *general fund* is the Academy’s primary operating fund. It accounts for all financial resources of the Academy, except those required to be accounted for in another fund.

**BLENDLED LEARNING ACADEMIES CREDIT RECOVERY HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Presentation - Fund Financial Statements (Concluded)

The Academy reports the following nonmajor governmental fund:

The *capital projects fund* accounts for the financial resources to be used for the acquisition of fixed assets or construction of major capital projects.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

The government-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 provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are 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 generally collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

**BLENDLED LEARNING ACADEMIES CREDIT RECOVERY HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Measurement Focus and Basis of Accounting (Concluded)

State and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end).

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to public school academies based on information supplied by the academies. For the current year ended, the foundation allowance was based on pupil membership counts.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills on Principal Residence Exemption (PRE) property and an allocated portion of state sales and other taxes. The state revenue is recognized during the foundation period and is funded through payments from October to August. Thus, the unpaid portion at June 30 is reported as an intergovernmental receivable.

The Academy also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received and accrued, which are not expended by the close of the fiscal year are recorded as unearned revenue.

All other revenue items are generally considered to be measurable and available only when cash is received by the Academy.

**BLENDLED LEARNING ACADEMIES CREDIT RECOVERY HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Budgetary Information

Budgetary basis of accounting:

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund.

The Academy follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Head of School submits to the Board of Directors a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Prior to July 1, the budget is legally adopted by Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, in the general fund are noted in the required supplementary information section.
3. Transfers may be made for budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the Board of Directors.
4. The budget was amended during the year with supplemental appropriations, the last one approved prior to year-end June 30, 2019. The Academy does not consider these amendments to be significant.

G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash and cash equivalents

The Academy's cash and cash equivalents are considered to be cash on hand and demand deposits.

**BLENDLED LEARNING ACADEMIES CREDIT RECOVERY HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

2. Investments

Certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. Standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Academy intends to hold the investment until maturity.

State statutes authorize the Academy to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The Academy is also authorized to invest in U.S. District or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

3. Prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

4. Capital assets

Capital assets, as summarized below are reported in the government-wide financial statements. Capital assets are defined by the Academy as assets with an initial, individual cost of more than \$1,000 and a useful life in excess of one year. Group purchases are evaluated on a case by case basis. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

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

**BLENDLED LEARNING ACADEMIES CREDIT RECOVERY HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

Land and construction in progress, if any, are not depreciated. Capital assets of the Academy are depreciated using the straight line method over the following estimated useful lives:

Capital asset classes	Lives
Technology and equipment	5
Furniture and fixtures	20

5. Deferred outflows/inflows of resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until that time. The Academy has no items that qualify for reporting in this category.

5. Deferred outflows/inflows of resources (Concluded)

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Academy has no items that qualify for reporting in this category.

6. Net position flow assumption

Sometimes the Academy will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Academy's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

**BLENDLED LEARNING ACADEMIES CREDIT RECOVERY HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Concluded)

7. Fund balance flow assumptions

Sometimes the Academy will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the Academy's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

8. Fund balance policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The Academy itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Academy's highest level of decision-making authority. The Board of Directors is the highest level of decision-making authority for the Academy that can, by adoption of a board action prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the board action remains in place until a similar action is taken (the adoption of another board action) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the Academy for specific purposes but do not meet the criteria to be classified as committed. Intent can be expressed by the Board of Directors or by an official or body to which the board of directors delegates authority. The Board of Directors may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

**BLENDLED LEARNING ACADEMIES CREDIT RECOVERY HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

H. Revenues and Expenditures/Expenses

1. Program revenues

Amounts reported as *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 or segment, and 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or segment. Unrestricted state aid, interest, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Long-term obligations

In the government-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 are deferred and amortized over the life of the bonds using the straight line method which approximates the effective interest method over the term of the related debt. Bond issuance costs are reported as expenditures in the year in which they are incurred.

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 issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

NOTE 2 - CASH DEPOSITS - CREDIT RISK

Cash is held in the name of the Academy. These deposits are subject to custodial credit risk. This is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. The Academy minimizes custodial credit risk on deposits by assessing the credit worthiness of the individual institutions in which it deposits funds. The amount of deposits with each institution is assessed to determine the level of risk it may pose to the Academy in relation to deposits in excess of insured amounts. As of June 30, 2019, a total of \$55,854 of the Academy's bank balance of \$305,854 was exposed to custodial credit risk because it was fully covered by FDIC insurance. These deposits have a carrying value of \$283,727.

**BLENDLED LEARNING ACADEMIES CREDIT RECOVERY HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - CASH DEPOSITS - CREDIT RISK (Concluded)

Fair value measurement. The Academy is required to disclose amounts within a framework established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1: Quoted prices in active markets for identical securities.

Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include prices for similar securities, interest rates, prepayment speeds, credit risk and others.

Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used. Unobservable inputs reflect the Academy's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The Academy does not have any investments subject to the fair value measurement.

**BLENDLED LEARNING ACADEMIES CREDIT RECOVERY HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - CAPITAL ASSETS

A summary of changes in the Academy's capital assets follows:

	Balance July 1, 2018	Additions	Disposals	Balance June 30, 2019
Governmental activities:				
Capital assets being depreciated:				
Technology and equipment	\$ 89,561	\$ 10,730	\$ -	\$ 100,291
Furniture and fixtures	31,800	10,868	-	42,668
Total capital assets being depreciated	<u>121,361</u>	<u>21,598</u>	<u>-</u>	<u>142,959</u>
Accumulated depreciation:				
Technology and equipment	34,243	19,104	-	53,347
Furniture and fixtures	5,228	1,635	-	6,863
Total accumulated depreciation	<u>39,471</u>	<u>20,739</u>	<u>-</u>	<u>60,210</u>
Net capital assets being depreciated	<u>81,890</u>	<u>859</u>	<u>-</u>	<u>82,749</u>
Net governmental capital assets	<u>\$ 81,890</u>	<u>\$ 859</u>	<u>\$ -</u>	<u>\$ 82,749</u>

Depreciation for the fiscal year ended June 30, 2019 amounted to \$20,739. The Academy determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

NOTE 4 - INTERGOVERNMENTAL RECEIVABLES

Receivables due from intergovernmental sources at June 30, 2019 consist of the following:

State aid	\$ 189,588
Federal sources	<u>18,850</u>
	<u>\$ 208,438</u>

Receivables due from intergovernmental sources include amounts due from federal and state sources for various projects and programs.

**BLENDED LEARNING ACADEMIES CREDIT RECOVERY HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - INTERFUND RECEIVABLES AND PAYABLES

Interfund payable and receivable balances at June 30, 2019 are as follows:

Fund	Due from other funds	Due to other funds
General fund	\$ -	\$ 12,000
Capital projects fund building and site	12,000	-
Total	\$ 12,000	\$ 12,000

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

NOTE 6 - TRANSFERS

Transfers between the governmental funds were as follows:

Transfers out		Transfers in	
General fund	\$ 12,000	Capital projects	\$ 12,000

The transfer from the general fund to the capital projects fund was to set aside funds for future facility related expenses.

NOTE 7 - OVERSIGHT FEES

The Academy pays an administrative oversight fee of 3% of its state school aid discretionary and Proposal A obligation payments to Ferris State University, as set forth by contract, to reimburse the University Board for the cost of execution of its oversight responsibilities. These oversight responsibilities include the monitoring of the Academy’s compliance with the terms and conditions of the contract, and the review of its audited financial statements and periodic reports. During the year ended June 30, 2019, the Academy incurred expense of approximately \$25,000 for oversight fees.

NOTE 8 - MANAGEMENT AGREEMENT AND LEASED EMPLOYEES

The Academy currently has a management agreement with Instructional Technology Services Education Management Group (ITS EMG) for operations of the Academy through June 2024. Under the terms of the management agreement, ITS EMG’s compensation for operating the Academy was approximately \$98,000 for the fiscal year 2019. Of the \$98,000 total, approximately \$20,000 was payable to the management company related to management fees at June 30, 2019.

**BLENDLED LEARNING ACADEMIES CREDIT RECOVERY HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - MANAGEMENT AGREEMENT AND LEASED EMPLOYEES (Concluded)

The Academy leases all of its employees from ITS EMG. Salaries, retirement, social security, health insurance and unemployment taxes are the responsibility of the management company. The amount payable to the management company related to leased employees was approximately \$20,000.

NOTE 9 - RELATED PARTY TRANSACTIONS

The Academy incurred approximately \$84,000 of expenses for leased building from a limited liability company (LLC) co-owned by the Academy's founder.

The Academy also paid approximately \$52,000 to Instructional Technology Services, Inc., a related party of ITS EMG, for technology support, software, and various technology expenses.

NOTE 10 - OPERATING LEASE

The Academy leases its buildings under an operating lease expiring in June 2024. Rent expense was approximately \$84,000 for the year ended June 30, 2019. Future minimum lease payments run through August 31, 2019 and are based off of 10% of full time equivalent (FTE) state aid per pupil for which the amounts are currently undeterminable.

NOTE 11 - RISK MANAGEMENT

The Academy is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. To minimize the risk, the Academy carries commercial insurance.

NOTE 12 - CONTINGENCY LIABILITIES

Amounts received or receivable from grant agencies are subject to audit and adjustments by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the District expects such amounts, if any, to be immaterial

**BLENDLED LEARNING ACADEMIES CREDIT RECOVERY HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS**

NOTE 13 - UPCOMING ACCOUNTING PRONOUNCEMENT

Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, was issued by the GASB in June 2017 and will be effective for the Academy's 2021 year end. The objective of this Statement is to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use the underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

REQUIRED SUPPLEMENTARY INFORMATION

**BLENDED LEARNING ACADEMIES CREDIT RECOVERY HIGH SCHOOL
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2019**

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget</u>
REVENUES:				
State sources	\$ 800,735	\$ 930,594	\$ 947,211	\$ 16,617
Federal sources	90,135	95,795	33,417	(62,378)
Intermediate sources	63,325	74,882	74,897	15
Total revenues	<u>954,195</u>	<u>1,101,271</u>	<u>1,055,525</u>	<u>(45,746)</u>
EXPENDITURES:				
Instruction:				
Basic programs	195,369	163,978	121,376	42,602
Added needs	129,138	124,114	102,743	21,371
Total instruction	<u>324,507</u>	<u>288,092</u>	<u>224,119</u>	<u>63,973</u>
Support services:				
Pupil	127,045	140,048	132,987	7,061
Instructional staff	117,377	112,079	96,916	15,163
General administration	40,708	40,885	41,023	(138)
Business services	41,425	41,686	41,597	89
Operation and maintenance	103,463	128,897	126,002	2,895
Central support services	180,491	208,971	202,055	6,916
Other support services	7,700	10,545	7,922	2,623
Total support services	<u>618,209</u>	<u>683,111</u>	<u>648,502</u>	<u>34,609</u>
Total expenditures	<u>942,716</u>	<u>971,203</u>	<u>872,621</u>	<u>98,582</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>11,479</u>	<u>130,068</u>	<u>182,904</u>	<u>52,836</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	-	(12,200)	(12,000)	200
NET CHANGE IN FUND BALANCE	<u>\$ 11,479</u>	<u>\$ 117,868</u>	<u>170,904</u>	<u>\$ 53,036</u>
FUND BALANCE:				
Beginning of year			<u>176,740</u>	
End of year			<u>\$ 347,644</u>	

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors
Blended Learning Academies Credit Recovery High School

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 and the major fund of Blended Learning Academies Credit Recovery High School as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Blended Learning Academies Credit Recovery High School's basic financial statements and have issued our report thereon dated September 1, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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.

Maney Costeiran PC

September 1, 2019

September 1, 2019

To the Board of Directors
Blended Learning Academies Credit Recovery High School

We have audited the financial statements of Blended Learning Academies Credit Recovery High School for the year ended June 30, 2019, and have issued our report thereon dated September 1, 2019. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Auditing Standards Generally Accepted in the United States of America and Government Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of Blended Learning Academies Credit Recovery High School. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Blended Learning Academies Credit Recovery High School's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to the President of the Board of Directors.

Significant Audit Findings

1. Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Blended Learning Academies Credit Recovery High School are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2018. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's determination of the estimated life span of the capital assets:

We evaluated the key factors and assumptions used by management to develop the estimated life span of the capital assets in determining that it is reasonable in relation to the financial statements taken as a whole. In addition, certain amounts included in capital assets have been estimated based on an outside appraisal company.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

We did not identify any sensitive disclosures.

2. Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

3. Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

4. *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

5. *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated September 1, 2019.

6. *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Blended Learning Academies Credit Recovery High School's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

7. *Other Audit Findings or Issues*

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

8. *Other Matters*

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

A separate management letter was not issued.

This information is intended solely for the use of the Board of Education and management of Blended Learning Academies Credit Recovery High School and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Manes Costeiran PC