

Administrative Review Authorizer Recommendations Charlevoix Montessori Academy for the Arts

Recommendations and Conclusions:

Based on the attached independent accountant's report on applying agreed-upon procedures for Charlevoix Montessori Academy (CMA), the following conclusions and recommendation are noted:

Over the past five years, CMA has incurred a gradual loss of students. With student enrollment at 128 students in 2011, to 62 students during the 2015-16 school year, the reduction has impacted the CMA's ability to maintain a stable financial standing. Considering the need to increase student enrollment as a means of offsetting financial challenges, it is recommended the school develop an aggressive enrollment plan designed to stabilize, then increase enrollment incrementally until CMA is able to return to healthier student numbers (75 to 100 or more students).

To accomplish this, CMA should establish a targeted growth plan, including the review of mission, vision, branding, and other components of their strategic plan. The Charlevoix Montessori School Board should take the helm in developing the enrollment plan reviewed by the School University Partnership Office at Saginaw Valley State University (SUPO). SUPO will continue providing oversight and monitoring CMA's financial position, complying with the requirements set by the Michigan Department of Treasury.

David A. Lewis, Director
July 28, 2016



Gardner Provenzano
Thomas & Luplow

Frederick C. Gardner
Giacomo Provenzano
Heather A. Thomas
Brett A. Luplow

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

July 25, 2016

School/University Partnership Office
Saginaw Valley State University
7400 Bay Road
University Center, MI 48710

Re: Administrative Review Charlevoix Montessori Academy for the Arts (CMA)

We have performed the procedures enumerated below, which were mandated by the Michigan Department of Treasury. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and responses for Charlevoix Montessori Academy for the Arts are as follows:

Item 1

An examination of financial practices, including at least an examination of the public school academy's compliance with the uniform budgeting and accounting act, 1968 PA 2, MCL 141.421 to 141.440a, budget to actual expense report monitoring, and budget amendment practices after budget adoption.

Response 1

The chart below provides information in regards to key budget components. In addition, the Academy has a written policies for budgeting procedures, purchasing, reimbursement of expenses and Title I financial management policies.

Budget prepared for the general fund

2015-2016 first budget	Yes
2015-2016 amendment	Yes
2015-2016 final budget	Yes
2016-2017 first budget	Yes

Minimal levels of approbation

2015-2016 first budget	Yes
2015-2016 amendment	Yes
2015-2016 final budget	Yes
2016-2017 first budget	Yes

Revenue and expenditure data for
 the most recently completed fiscal year

2015-2016 first budget	No
2015-2016 amendment	No
2015-2016 final budget	No
2016-2017 first budget	No

Pubic hearing

2015-2016 first budget	Yes
2015-2016 amendment	N/A
2015-2016 final budget	N/A
2016-2017 first budget	Yes

Budget on Website

2015-2016 first budget	Yes
2015-2016 amendment	Yes
2015-2016 final budget	Yes
2016-2017 first budget	Yes

Were the adopted budget GAAP

2015-2016 first budget	Yes
2015-2016 amendment	Yes
2015-2016 final budget	Yes
2016-2017 first budget	Yes

Budget provided and approved by the board

2015-2016 first budget	Yes
2015-2016 amendment	Yes
2015-2016 final budget	Yes
2016-2017 first budget	Yes

Budget cannot have deficit estimated fund balance

2015-2016 first budget	No deficit
2015-2016 amendment	No deficit
2015-2016 final budget	No deficit
2016-2017 first budget	No deficit

General appropriations resolution

2015-2016 first budget	Yes
2015-2016 amendment	Yes
2015-2016 final budget	Yes
2016-2017 first budget	Yes

Item 2

An examination of staffing and a comparison of staffing to other school districts and/or public school academies, as applicable.

Response Item 2

The 1014 bulletin does not provide this data for Public School Academies that use management companies for employee staffing. Therefore a comparison was only made to public schools of similar size that do not use a management company. The results are below:

District Code	School	2014-2015		
		2014-2015 Blended Count	Per Pupil Salaries and Benefits	Pupil Teacher Average teacher Ratio Salary
11830	Sodus Township #5	74	\$ 4,868	17 \$ 37,508
15902	CMA	73	\$ 3,896	11 \$ 33,175
49110	Mackinaw Island Public school	77	\$ 11,282	9 \$ 52,811
69040	Vanderbilt Area Schools	99	\$ 7,672	11 \$ 35,174
40060	Excelsior Township S/D #1	43	\$ 5,727	13 \$ 43,528

Item 3

An examination of wages and a comparison of wages to other school districts and/or public school academies in the area, as applicable.

Response 3

Since there was a vast variety of schools in the ISD boundaries in terms of size, schools with varying student count were used to compare wages to total general fund expenditures and wages to general fund revenue. The results are below:

District Code	School	2014-2015 Blended Count	2014-2015		Salaries as a % of
			2014-2015 Salaries	2014-2015 General Fund Expenditures	General Fund Expenditures
15010	Beaver Island	57.30	\$ 851,845	\$ 1,921,051	44%
15902	CMA	72.68	\$ 381,720	\$ 706,908	54%
15030	Boyne Falls Public SD	162.82	\$ 1,111,054	\$ 2,557,266	43%
24030	Alanson Public schools	259.83	\$ 1,139,157	\$ 2,694,876	42%
24901	Concord Academy-Petosky	212.26	\$ 624,301	\$ 1,663,274	38%

Response 3 (continued)

District Code	2014-2015	2014-2015	2014-2015	2014-2015
	Blended Count	Salaries	Excluding other Financing Sources	Total Revenue Salaries as a % of General Fund Revenue
15010 Beaver Island	57.30	\$ 851,845	\$ 1,976,006	43%
15902 CMA	72.68	\$ 381,720	\$ 648,133	59%
15030 Boyne Falls Public SD	162.82	\$ 1,111,054	\$ 2,501,139	44%
24030 Alanson Public schools	259.83	\$ 1,139,157	\$ 2,590,907	44%
24901 Concord Academy-Petosky	212.26	\$ 624,301	\$ 1,718,782	36%

Item 4

An examination of benefit costs as a percentage of wages and a comparison of benefit costs as a percentage of wages to other school districts and/or public school academies in the area, as applicable.

Response 4

Schools with a similar size were chosen to compare. However, note Charlevoix Montessori Academy for the Arts did not provide any benefits in the 2014-2015 year. The results are below:

District Code	2014-2015	2014-2015	2014-2015	Benefits as a % of Salaries
	Blended Count	Salaries	Benefits	
15010 Beaver Island	57.3	\$ 851,845	\$ 200,821	24%
15902 Charlevoix Montessori Acad	72.68	\$ 381,720	\$ -	0%
15030 Boyne Falls Public School I	162.82	\$ 1,111,054	\$ 247,268	22%
24030 Alanson Public schools	259.83	\$ 1,139,157	\$ 207,968	18%
24901 Concord Academy-Petosky	212.26	\$ 624,301	\$ 262,247	42%

Item 5

A school building student capacity utilization review.

Response 5

The most recent guidance found was from the Council of Educational Facility planners and dates back to 1995. The Council of Educational Facility Planners International regularly provides the recommended number of gross square feet (gsf) per student figures. This report provides revised numbers based on responses from its Design Portfolio winners over the past 5 years. Average national averages of square footage space per student for Canada and the continental United States reveal the following ranges: 70.1 to 111.5 gsf for elementary schools buildings; 81.2 to 154.4 gsf for middle schools buildings; and 101.9 to 160.7 gsf for high schools buildings. It also discusses issues about the importance of class size and the implications for educational facility planners; and the factors influencing the area per student, including program characteristics, number of students, and student characteristics. (GR). Below are the results:

		Blended Student Count	Square Foot per student	Recommended
		2014-2015		
Total Square footage	8100	72.68	111.45	
Total square footage for administration	1055			
Total square footage for instruction	7045	72.68	96.93	70.67-160.7

Item 6

An examination of non-instructional costs by function and a comparison of those costs to other school districts and/or public school academies, as applicable.

Response Item 6

To compare non-instructional costs by function, four schools of comparable size were used. Each function is compared as a percentage to total general fund expenditures for Charlevoix Montessori Academy (CMA) and four other schools. The dollar amounts by function and percentages of CMA's non-instructional cost by function are compared to four other schools of comparable size. Below are the results:

Response Item 6 (continued)

District Code	15902		03902		Variance	
Blended Count 2014-2015	72.68	%	65.81	%	Variance	in
School	CMA	Of Total	Outlook Academy	Of Total	in \$\$\$	%
Pupil Support	\$ -	0.0%	\$ 77,446	31.7%	\$ (77,446)	-31.7%
Instructional staff	12,568	4.2%	17,144	7.0%	(4,576)	-2.8%
General Administration	86,141	28.7%	13,027	5.3%	73,114	23.4%
School Administration	69,673	23.2%	56,580	23.2%	13,093	0.1%
Business services	16,917	5.6%	19,302	7.9%	(2,385)	-2.3%
Operations and maintenance	33,173	11.0%	32,718	13.4%	455	-2.3%
Transportation	-	0.0%	27,953	11.4%	(27,953)	-11.4%
Central	26,800	8.9%	-	0.0%	26,800	8.9%
Facilities acquisitions	48,573	16.2%	-	0.0%	48,573	16.2%
Other	6,398	2.1%	-	0.0%	6,398	2.1%
Community service	-	0.0%	200	0.1%	(200)	-0.1%
	\$ 300,243	100.0%	\$ 244,370	100%	\$ 55,873	0.0%

District Code	15902		74900		Variance	
Blended Count 2014-2015	72.68	%	83.84	%	Variance	in
School	CMA	Of Total	East Shore Leadership	Of Total	in \$\$\$	%
Pupil Support	\$ -	0.0%	\$ -	0.0%	\$ -	0.0%
Instructional staff	12,568	4.2%	22,706	3.8%	(10,138)	0.3%
General Administration	86,141	28.7%	49,996	8.5%	36,145	20.2%
School Administration	69,673	23.2%	137,224	23.2%	(67,551)	0.0%
Business services	16,917	5.6%	19,077	3.2%	(2,160)	2.4%
Operations and maintenance	33,173	11.0%	220,337	37.3%	(187,164)	-26.2%
Transportation	-	0.0%	-	0.0%	-	0.0%
Central	26,800	8.9%	1,203	0.2%	25,597	8.7%
Facilities acquisitions	48,573	16.2%	138,972	23.5%	(90,399)	-7.3%
Other	6,398	2.1%	1,495	0.3%	4,903	1.9%
Community service	-	0.0%	-	0.0%	-	0.0%
	\$ 300,243	100.0%	\$ 591,010	100%	\$ (290,767)	0%

Response Item 6 (continued)

District Code	15902		82700		Variance	
Blended Count 2014-2015	72.68	%	64.57	%	Variance	in
School	CMA	Of Total	Detroit Achievement	Of Total	in \$\$\$	%
Pupil Support	\$ -	0.0%	\$ -	0.0%	\$ -	0.0%
Instructional staff	12,568	4.2%	17,537	1.4%	(4,969)	2.8%
General Administration	86,141	28.7%	72,661	5.9%	13,480	22.7%
School Administration	69,673	23.2%	171,468	14.0%	(101,795)	9.2%
Business services	16,917	5.6%	8,278	0.7%	8,639	5.0%
Operations and maintenance	33,173	11.0%	102,046	8.3%	(68,873)	2.7%
Transportation	-	0.0%	35,233	2.9%	(35,233)	-2.9%
Central	26,800	8.9%	158,086	12.9%	(131,286)	-4.0%
Facilities acquisitions	48,573	16.2%	640,002	52.3%	(591,429)	-36.1%
Other	6,398	2.1%	17,120	1.4%	(10,722)	0.7%
Community service	-	0.0%	652	0.1%	(652)	-0.1%
	\$ 300,243	100%	\$ 1,223,083	100%	\$ (922,840)	0%

District Code	15902		82705		Variance	
Blended Count 2014-2015	72.68	%	97.8	%	Variance	in
School	CMA	Of Total	Branch Line	Of Total	in \$\$\$	%
Pupil Support	\$ -	0.0%	\$ 25,290	7.6%	\$ (25,290)	-7.6%
Instructional staff	12,568	4.2%	43,019	12.8%	(30,451)	-8.7%
General Administration	86,141	28.7%	59,923	17.9%	26,218	10.8%
School Administration	69,673	23.2%	73,894	22.1%	(4,221)	1.1%
Business services	16,917	5.6%	16,604	5.0%	313	0.7%
Operations and maintenance	33,173	11.0%	52,404	15.7%	(19,231)	-4.6%
Transportation	-	0.0%	-	0.0%	-	0.0%
Central	26,800	8.9%	5,967	1.8%	20,833	7.1%
Facilities acquisitions	48,573	16.2%	8,912	2.7%	39,661	13.5%
Other	6,398	2.1%	-	0.0%	6,398	2.1%
Community service	-	0.0%	48,832	14.6%	(48,832)	-14.6%
	\$ 300,243	100%	\$ 334,845	100%	\$ (34,602)	0%

Item 7

A review of enrollment projection methods and history.

Response 7

The Academy send surveys to the parents of students currently enrollment at the end of each year to predict enrollment for the following year.

Below is a history of enrollment:

<u>From State aid Status Reports</u>	<u>Blended Count</u>	<u>Increase (Decrease)</u>
2000	91.33	
2001	77.83	(13.50)
2002	74.45	(3.38)
2003	66.78	(7.67)
2004	70.13	3.35
2005	57.92	(12.21)
2006	63.89	5.97
2007	80.14	16.25
2008	74.83	(5.31)
2009	90.43	15.60
2010	113.12	22.69
2011	128.13	15.01
2012	127.49	(0.64)
2013	108.98	(18.51)
2014	94.25	(14.73)
2015	72.68	(21.57)
2016	61.95	(10.73)

Item 8

An examination of deferred maintenance and capital investment needs. Capital investment needs include technology equipment and technology infrastructure needs.

Response 8

The Academy has a technology plan with a start date of 2014-2015 with the next review scheduled for the 2016-2017 year.

The Academy does not have a written plan for building improvements or capital outlay other than technology.

Item 9

An examination of substitute costs, workers compensation costs, unemployment compensation costs and forecasts, and a review of other insurance programs.

Response Item 9

For the fiscal year 2014-2015 the Academy incurred \$784.70 for substitutes. For fiscal year 2015-2016 the Academy incurred \$494.78 for substitutes.

The Academy uses a management company for all employees. The Academy has no control over workers compensation costs or unemployment costs. Therefore, no review was conducted.

The Academy had the following insurance coverage for the 2015-2016 year for a cost of \$8,873:

- Auto
- Crime
- Inland marine
- Public officials
- Commercial property
- Umbrella
- Workers compensation for sub contractors

Item 10

An examination of pupil transportation costs and routing.

Response 10

The Academy does not provide transportation.

Item 11

An examination of the current and future costs of existing bargaining agreements.

Response 11

The Academy does not have an existing bargaining agreement.

Item 12

An examination of state and federal grants.

Response 12

The Academy receives very little federal funding. For both the 2014-2015 and 2015-2016 all federal grants were found to be spent.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the accounting records. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would be reported to you.

This report is intended solely for the information and use of Saginaw Valley School/University Partnership Office and Michigan Department of Treasury and is not intended to be and should not be used by anyone other than those specified parties.

Gardner Provenzano, Thomas B Luplow, P.C.

Gardner, Provenzano, Thomas & Luplow, P.C.
Saginaw, Michigan