

Financial Statements

Career Tech High Academy Charter School
(A Non-Profit Organization)

Year ended September 30, 2021
with Report of Independent Auditors



Career Tech High Academy Charter School
(A Non-Profit Organization)

Financial Statements

Year ended September 30, 2021

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Report of Independent Auditors

The Board of Trustees of
Career Tech High Academy Charter School

We were engaged to audit the accompanying financial statements of the governmental activities and general fund of Career Tech High Academy Charter School (the “Academy”) as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the basic financial statements 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 conformity with U.S. generally accepted accounting principles; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on conducting the 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. Because of the matters described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

The Academy began full operations in the fiscal year ended September 30, 2021. During this time, the Academy was under a different management and there were no procedures in place to ensure that sufficient accounting records were kept to support the amounts recorded in the financial statements. The Academy has not completed a bank reconciliation as of September 30, 2021. We were unable to verify the completeness of liabilities as we were unable to examine supporting documents for subsequent disbursements totaling \$43,455. We were unable to confirm or verify by alternative means the appropriations revenue for the fiscal year. We were unable to examine supporting documents for expenses aggregating to approximately \$17,000. As a result of these conditions, we were unable to determine whether any adjustments might have been found necessary for the amounts included in the basic financial statements.

Disclaimer of Opinion

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on these financial statements.

Required Supplementary Information

Management has omitted management's discussion and analysis and budgetary comparison information that GAAS requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 5, 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 Entity'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.

Ernst + Young LLP

June 5, 2025

Career Tech High Academy Charter School
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Governmental Funds Balance Sheet/Statement of Net Position

September 30, 2021

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
Assets:			
Cash	\$ 21,433	\$ ---	\$ 21,433
Other current assets	<u>7,900</u>	<u>---</u>	<u>7,900</u>
Total assets	<u>\$ 29,333</u>	<u>---</u>	<u>29,333</u>
Liability - accounts payable	<u>\$ 61,680</u>	<u>---</u>	<u>61,680</u>
Fund balance: unassigned	(<u>32,347</u>)	<u>32,347</u>	
Total liabilities and fund balances	<u>\$ 29,333</u>		
Net position - Unrestricted		\$(<u>32,347</u>)	\$(<u>32,347</u>)

See accompanying notes.

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Statement of Governmental Fund Revenues, Expenditures and Changes in Fund
Balance/Statement of Activities

Year ended September 30, 2021

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Expenditures/expenses:			
Instructional services:			
Rent	\$ 101,830	\$ ---	\$ 101,830
Payroll	74,936	---	74,936
Supplies	49,446	---	49,446
Support services:			
Repairs and maintenance	10,304	---	10,304
Dues and subscriptions	5,250	---	5,250
Other expenses	3,000	---	3,000
Office expenses	524	---	524
Total expenditures/expenses	<u>245,290</u>	<u>---</u>	<u>245,290</u>
General revenues:			
Appropriations	212,655	---	212,655
Other income	288	---	288
Total general revenues	<u>212,943</u>	<u>---</u>	<u>212,943</u>
Excess of expenditures over revenues	(32,347)	32,347	---
Decrease in net position	---	(32,347)	(32,347)
Fund balance/net position:			
Beginning of year	<u>---</u>	<u>---</u>	<u>---</u>
End of year	\$(<u>32,347</u>)	\$ <u>---</u>	\$(<u>32,347</u>)

See accompanying notes.

Career Tech High Academy Charter School
(A Non-Profit Organization)

Notes to Financial Statements

Year ended September 30, 2021

1. Organizations

Career Tech High Academy Charter School, (the “Academy”) is a non-profit public benefit corporation designed to enrich student learning in all content areas with a special emphasis in science, technology, engineering, art and math. The Academy was incorporated under the laws of Guam in 2017.

The Academy is established for the purpose of operating an academy charter school which operates independently from the Guam Public School System for the purposes specifically set forth in 17 GCA §12102. The Academy is governed by a Board of Trustees. The Trustees are elected or selected pursuant to the Charter granted by the Guam Academy Charter Schools Act of 2009 (GACS). The Board of Trustees consists of not less than five (5) members and not more than nine (9) members. At least one member must be a parent or guardian of a student attending the Academy and one member must be from the general public an accounting or finance background.

The Academy is subject to independent oversight by the Guam Academy Charter School Council (the Council). The Council is tasked with monitoring the Academy’s operations, compliance with applicable laws and the provisions of the charter granted; the progress of meeting student academic achievement expectations specified in the charter; and compliance with annual reporting requirements. The Academy follows the governmental reporting model as used by local education agencies because of the authority of the Council to terminate or revoke the charter with all assets reverting back to the Government of Guam Department of Education.

2. Summary of Significant Accounting Policies

The financial statements of the Academy are prepared in accordance with U.S. generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing Governmental Accounting and Financial Reporting Principles.

In accordance with GASB Statement No. 34, *Basic Financial Statements – and Management Discussion and Analysis – for State and Local Governments*, Academy is a special-purpose government that is engaged in governmental activities. Therefore, the financial statements are prepared in the same manner as general purpose governments.

The Academy’s basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Career Tech High Academy Charter School
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Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Government-wide Financial Statements

The statement of net position and the statement of activities display information about the Academy. These statements include the financial activities of the overall entity. These statements distinguish between the governmental and business-type activities of the Academy. Governmental activities generally are financed through appropriations from the Government of Guam and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

Fund Financial Statements

The Academy uses a governmental fund to report on its financial position and results of operations. The operations of the governmental fund are accounted for with a self-balancing set of accounts that comprises its assets, liabilities, fund equity, revenues and expenditures.

Separate financial statements are provided for Governmental funds. The Academy presents a balance sheet and a statement of revenues, expenditures and changes in fund balance for its government fund. The ending fund balance on the balance sheet is then reconciled to the ending governmental net position. There were no adjustments required to reconcile total governmental fund balance to net position of governmental activities in the statement of net position and net change in total governmental fund balance to change in net position of governmental activities as of and for the year ended September 30, 2021.

Measurement Focus/Government-wide and Fund Financial Statements

The government-wide financial statements are prepared using a flow of economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Academy gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants and donations. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental fund financial statements of the Academy are accounted for using a flow of current financial resources measurement focus. The statement of governmental fund revenues, expenditures and changes in fund balance reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared.

Career Tech High Academy Charter School
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Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Measurement Focus/Government-wide and Fund Financial Statements, continued

The modified accrual basis of accounting is used by governmental funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). “Measurable” means that the amount of the transaction can be determined and “available” means that the amount of the transaction is collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. A one-year availability period is used for revenue recognition for all governmental fund type revenues. Expenditures are recorded when the related fund liability is incurred.

Net Position and Fund Balance

Net position in the government-wide financial statements are classified as net investment in capital assets, restricted, and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law.

The unassigned fund balance has not been assigned to another fund or restricted, committed or assigned to specific purposes within the General Fund.

Budgets

Pursuant to the Guam Academy Charter Schools Act of 2009, the Board of Trustees adopts an annual budget. The annual budget must be submitted to the Council every fiscal year. The Council must submit the budget to the Superintendent of Education of the Government of Guam’s Department of Education (GDOE) which in turn incorporates such as part of its budget submitted to the Guam Legislature. Following the appropriation of GDOE’s operating budget for the fiscal year, the amount approved by the Guam Legislature for the operation of the Academy shall be available for expenditure by the Academy’s Board of Trustees.

Cash

For the purpose of presentation in the Governmental Funds balance sheet/statement of net position, cash consists of cash balances deposited in banks.

Funding

The Academy receives financial support in monthly allotments from the General Fund of the Government of Guam via the GDOE to finance administrative and general expenses on a reimbursable basis. Such expenses mainly consist of contract dues under the rental expenses, salaries and wages, and other miscellaneous operational expenses. The actual amounts remitted to the Academy are determined by the GDOE’s Internal Auditors through the validation of submitted invoices.

Career Tech High Academy Charter School
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Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Funding, continued

Pursuant to Guam Bill No. 282-35, the cost per pupil was \$6,000 for the fiscal year ending September 30, 2021. Student enrollment shall not exceed 100 students during Fiscal Year 2021. The number of enrolled students was multiplied by the FY 2021 Government of Guam General Appropriations Act approved amount of \$6,000 per student enrollee. For the fiscal year ended September 30, 2021, 25 students were enrolled in the Academy. The Academy received government appropriations totaling \$212,655 for the fiscal year ended September 30, 2021.

Income Taxes

The Academy is a non-profit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Guam Territorial Income Tax Law. Therefore, the Academy has made no provision for income taxes in the accompanying financial statements. A Return of Organization Exempt from Income Tax is filed by the Academy. Forms 990 filed by the Academy are subject to examination by the Government of Guam Department of Revenue and Taxation for up to three years from the extended due date of each return.

Deferred Outflows of Resources

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

Deferred Inflows of Resources

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

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures 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 results could differ from those estimates.

Career Tech High Academy Charter School
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Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Upcoming Accounting Pronouncements

In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases 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 as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. GASB Statement No. 95 postponed the effective date of GASB 87 to fiscal year ending September 30, 2023.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. GASB Statement No. 95 postponed the effective date of GASB 89 to fiscal year ending September 30, 2022.

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This statement achieves those objectives by clarifying the existing definition of a conduit obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. GASB Statement No. 95 postponed the effective date of GASB 91 to fiscal year ending September 30, 2023.

In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. Some governments have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR) – most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates by either (a) changing the reference rate or (b) adding or changing fallback provisions related to the reference rate. The objective of this Statement is to address the accounting and financial reporting effects that result from the replacement of IBORs with other reference rates in order to preserve the reliability, consistency, and comparability of reported information. GASB Statement No. 95 postponed the effective date of GASB 93 to fiscal year ending September 30, 2022.

Career Tech High Academy Charter School
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Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Upcoming Accounting Pronouncements, continued

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. Public-private and public-public partnerships, collectively referred to hereinafter PPPAs, comprise a wide variety of arrangement between a government and another party that are engaged in providing services to a government's constituents. Availability payment arrangements (APAs) also have been used in practice to procure governmental services. The objective of this Statement is to better meet the information needs of financial statement users by improving the comparability of financial statements among governments that enter into PPPAs and APAs and by enhancing the understandability, reliability, relevance, and consistency of information about PPPAs and APAs. GASB Statement No. 94 will be effective for fiscal year ending September 30, 2023.

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. It has become common for governments to enter into subscription-based contracts to use vendor-provided information technology (IT). Subscription-based information technology arrangements (SBITAs) provide governments with access to vendors' IT software and associated tangible capital assets for subscription payments without granting governments perpetual license or title to the IT software and associated tangible capital assets. Prior to the issuance of this Statement, there was no accounting or financial reporting guidance specifically for SBITAs. The objective of this Statement is to better meet the information needs of the financial statement users by (a) establishing uniform accounting and financial reporting requirements for SBITAs; (b) improving the comparability of financial statements among governments that have entered into SBITAs; and (c) enhancing the understandability, reliability, relevance, and consistency of information about SBITAs. GASB Statement No. 96 will be effective for fiscal year ending September 30, 2023.

In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. The requirements of this Statement will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. Consistent authoritative literature enables governments and other stakeholders to more easily locate and apply the correct accounting and financial reporting provisions, which improves the consistency with which such provisions are applied. The comparability of financial statements also will improve as a result of this Statement. Better consistency and comparability improve the usefulness of information for users of local government financial statements. GASB Statement No. 99 will be effective for fiscal year ending September 30, 2023.

Career Tech High Academy Charter School
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Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Upcoming Accounting Pronouncements, continued

In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement will improve the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. In turn, more understandable, reliable, relevant, consistent, and comparable information will be provided to financial statement users for making decisions or assessing accountability. In addition, the display and note disclosure requirements will result in more consistent, decision useful, understandable, and comprehensive information for users about accounting changes and error corrections. GASB Statement No. 100 will be effective for fiscal year ending September 30, 2024.

In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The unified recognition and measurement model in this Statement will result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation. In addition, the model can be applied consistently to any type of compensated absence and will eliminate potential comparability issues between governments that offer different types of leave. The model also will result in a more robust estimate of the amount of compensated absences that a government will pay or settle, which will enhance the relevance and reliability of information about the liability for compensated absences. GASB Statement No. 101 will be effective for fiscal year ending September 30, 2025.

In December 2023, GASB issued Statement No. 102, *Certain Risk Disclosures*. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. This Statement defines a concentration as a lack of diversity related to an aspect of a significant inflow of resources or outflow of resources. A constraint is a limitation imposed on a government by an external party or by formal action of the government's highest level of decision-making authority. Concentrations and constraints may limit a government's ability to acquire resources or control spending. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. GASB Statement No. 102 will be effective for fiscal year ending September 30, 2025.

Career Tech High Academy Charter School
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Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Upcoming Accounting Pronouncements, continued

In April 2024, GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance the effectiveness of the financial reporting model in providing information that is essential for decision making and assessing a government's accountability and address certain application issues identified through pre-agenda research conducted by the GASB. This Statement establishes new accounting and financial reporting requirements or modifies existing requirements related to management's discussion and analysis (MD&A), unusual or infrequent items, presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position, information about major component units in basic financial statements, budgetary comparison information and financial trends information in the statistical section. GASB Statement No. 103 will be effective for fiscal year ending September 30, 2026.

In September 2024, GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. Lease assets recognized in accordance with Statement No. 87, *Leases*, and intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, should be disclosed separately by major class of underlying asset in the capital as-sets note disclosures. Subscription assets recognized in accordance with Statement No. 96, *Subscription-Based Information Technology Arrangements*, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class. This Statement also requires additional disclosures for capital assets held for sale. A capital asset is a capital asset held for sale if (a) the government has decided to pursue the sale of the capital asset and (b) it is probable that the sale will be finalized within one year of the financial statement date. Governments should consider relevant factors to evaluate the likelihood of the capital asset being sold within the established time frame. This Statement requires that capital assets held for sale be evaluated each reporting period. Governments should disclose (1) the ending balance of capital assets held for sale, with separate disclosure for historical cost and accumulated depreciation by major class of asset, and (2) the carrying amount of debt for which the capital assets held for sale are pledged as collateral for each major class of asset. GASB Statement No. 104 will be effective for fiscal year ending September 30, 2026.

The Academy is currently evaluating the effects the above upcoming accounting pronouncements might have on its financial statements.

Career Tech High Academy Charter School
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Notes to Financial Statements, continued

3. Economic Dependency

The Academy receives approximately 100% of its annual revenue from the Guam Legislature through the Guam Academy Charter School Act under a five-year charter agreement. Under such agreement, the Council will review the Academy every five years, beginning on the date on which the charter is granted or renewed, to determine whether the charter should be revoked for material violations of laws and the terms of agreement or if the Academy fails to meet the goals and student academic achievement expectations.

4. Concentration of Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. Such deposits are not covered by depository insurance and are either uncollateralized or collateralized with securities held by the pledging financial institution or held by the pledging financial institution but not in the depositor-government's name. The Academy does not have a depository policy for custodial credit risk.

The Academy maintains two bank accounts with a financial institution. The Academy at times maintains cash balances in excess of \$250,000, the amount insured by the Federal Deposit Insurance Corporation (FDIC). The Academy has not made any provisions as it has not incurred any losses due to exceeding insured amounts. All of the Academy's bank balances were fully insured as of September 30, 2021.

5. Subsequent Events

The Academy has evaluated subsequent events through June 5, 2025, which is the date the financial statements were available to be issued.

Report of Independent Auditors 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*

The Board of Trustees
Career Tech High Academy Charter School

We were engaged to 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 (*Government Auditing Standards*), the financial statements of the governmental activities and general fund of Career Tech High Academy Charter School (the “Academy”) as of and for the year ended September 30, 2021, the related notes to the financial statements, which collectively comprise the Academy’s basic financial statements, and our report dated June 5, 2025 expressed a disclaimer of opinion thereon. Our report disclaims an opinion on the financial statements because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report which indicates we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements.

Report on Internal Control Over Financial Reporting

In connection with our engagement to audit the financial statements of the Academy, 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control described in the accompanying schedule of findings and responses as items 2021-001 and 2021-002 to be material weaknesses

Report on Compliance and Other Matters

In connection with our engagement to audit the financial statements of the Academy, 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 engagement, 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*. However, if the scope of our work had been sufficient to enable us to express opinions on the basic financial statements, instances of noncompliance or other matters may have been identified and reported herein.

The 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 in the accompanying schedule of findings and responses. 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 entity's internal control or on compliance. This report is an integral part of an engagement to perform an audit 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.

Ernst + Young LLP

June 5, 2025

Career Tech High Academy Charter School
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Schedule of Findings and Responses

Finding No.: 2021-001

Criteria

Supporting documents should be kept in a manner that supports the amounts recorded financial statements.

Financial records including bank reconciliation statements, should be accurately reconciled with the general ledger to ensure the accuracy of financial reporting in accordance with accounting principles generally accepted in the United States of America.

Condition

Supporting documents were unable to be provided for audit examination for the following items:

- Bank reconciliation statement
- Appropriations revenues
- Operating expenses aggregating to \$17,000
- Disbursements amounting to \$43,455
- Accounts receivable/revenue confirmation letter to verify the account balances as of and for the period under audit.
- Enrollment contracts

Cause

The Academy was under a different management and there were no procedures in place to ensure that sufficient accounting records are kept supporting the amounts recorded in the financial statements.

Effect or potential effect

We modified our opinion related to the financial statements and provided a disclaimer of opinion.

Career Tech High Academy Charter School
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Schedule of Findings and Responses, continued

Finding No.: 2021-001, continued

Recommendation

We recommend that management perform monthly reconciliation of supporting schedules to general ledger balances. Moreover, we recommend that management ensure that all financial transactions, policies, and procedures are thoroughly documented and easily accessible. We also recommend the management to allocate sufficient time and resources to prepare for audits, minimizing delays and ensuring thorough evidence collection.

Views of Responsible Officials

Management acknowledges that during the period under audit, the school was under different leadership and lacked robust accounting procedures and systems for financial document retention and reconciliation. These deficiencies contributed to the inability to produce adequate supporting documentation for various financial statement items.

Corrective Action Plan:

- Instituted monthly reconciliations of all bank statements, financial reports, and the general ledger.
- Implemented a centralized digital document management system to ensure secure and organized storage of all financial documents, including disbursements and revenue confirmations.
- Designated a Finance Officer responsible for timely reconciliation and recordkeeping.
- Created an Audit Readiness Calendar that outlines document preparation timelines and internal review cycles in anticipation of future audits.

Career Tech High Academy Charter School
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Schedule of Findings and Responses, continued

Finding No.: 2021-002

Criteria

According to GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions," revenues should be recognized in the period in which they are available and measurable. Proper cutoff procedures are essential to ensure that revenues are recorded in the correct accounting period.

Condition

During the audit, it was identified that certain appropriation revenue transactions were recorded in the wrong accounting period. Specifically, revenue from appropriations amounting to \$25,800 for Fiscal Year 2021 was recorded as revenues when it was received in Fiscal Year 2022.

Cause

The misstatement was attributed to inadequate cutoff procedures and a lack of awareness regarding the timing of revenue recognition for appropriations. The Academy did not consistently apply the guidelines set forth in GASB Statement No. 33, leading to errors in the recording of revenue.

Effect or potential effect

The misclassification of appropriation revenue resulted in an understatement of total revenues for Fiscal Year 2021 by \$25,800. This error could mislead stakeholders regarding the financial position and performance of the entity, affecting decision-making processes.

Recommendation

We recommend the management develop and document clear policies and procedures related to revenue recognition and cutoff, including guidelines for handling measurement periods.

Views of Responsible Officials

We acknowledge that \$25,800 in appropriation revenue intended for Fiscal Year 2021 was incorrectly recorded in Fiscal Year 2022. This was a result of inadequate cutoff procedures and limited training regarding GASB Statement No. 33 requirements.

Corrective Action Plan:

- Revised financial policies to include procedures on revenue recognition aligned with GASB guidelines.
- Trained finance staff on cutoff procedures and proper period-end reporting.
- Instituted a dual-review process to ensure revenue transactions are accurately recorded in the appropriate fiscal year.