

**A.C.E. ACADEMY
HARRISBURG, NORTH CAROLINA**

Financial Statements and
Supplementary Information

Year Ended June 30, 2015

A.C.E. ACADEMY
Table of Contents
June 30, 2015

<u>Exhibit</u>		<u>Page</u>
	Financial Section	
	Independent Auditors' Report.....	1
	Management's Discussion and Analysis.....	3
	Basic Financial Statements:	
	Government-wide Financial Statements:	
1	Statement of Net Position.....	11
2	Statement of Activities.....	12
	Fund Financial Statements:	
3	Balance Sheet – Governmental Funds.....	14
3	Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position.....	14
4	Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	15
5	Reconciliation of the Statement of Revenues, Expenditures, and Changes In Fund Balances of Governmental Funds to the Statement of Activities.....	16
6	Statement of Net Position – Proprietary Funds.....	17
7	Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds.....	18
8	Statement of Cash Flows – Proprietary Funds.....	19
	Notes to the Financial Statements.....	20
	 Schedule	
	Supplementary Information:	
1	Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Government Fund Types.....	29
2	Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Proprietary Fund Types.....	30
	Compliance Section:	
	Independent Auditors' Report On Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit Of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	31
	Independent Auditors' Report On Compliance With Requirements Applicable To Each Major State Program and Internal Control Over Compliance in Accordance with OMB Circular A-133 and the State Single Audit Implementation Act.....	33
	Schedule of Findings and Questioned Costs.....	36
	Corrective Action Plan	40
	Summary Schedule of Prior Year Audit Findings	41
	Schedule of Expenditures of Federal and State Awards.....	42

FINANCIAL SECTION



Rives & Associates, LLP
Certified Public Accountants

Member:
American Institute of
Certified Public Accountants

Member:
North Carolina Association of
Certified Public Accountants

www.rivescpa.com

Independent Auditors' Report

To the Board of Directors
A.C.E. Academy
Harrisburg, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the A.C.E. Academy, North Carolina, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the A.C.E. Academy'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.

Auditors' Responsibility

Our responsibility is to express an opinion 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 auditors' 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the A.C.E. Academy, North Carolina as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows 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 on pages 3 through 10 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.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the A.C.E. Academy, North Carolina's basic financial statements. The budgetary schedule, as well as the accompanying Schedule of Expenditures of Federal and State Awards, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the *State Single Audit Implementation Act* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary schedule, as well as the accompanying Schedule of Expenditures of Federal and State Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary schedule, and the accompanying Schedule of Expenditures of Federal and State Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our reports dated November 29, 2015 on our consideration of A.C.E. 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 these reports is 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 internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering A.C.E. Academy's internal control over financial reporting and compliance.

Rives & Associates LLP
Raleigh, North Carolina
November 29, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis
A.C.E. Academy
June 30, 2015

As management of A.C.E. Academy, we offer readers of A.C.E. Academy's financial statements this narrative overview and analysis of the financial activities of A.C.E. Academy for the fiscal year ended June 30, 2015. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the School's financial statements which follow this narrative.

Financial Highlights

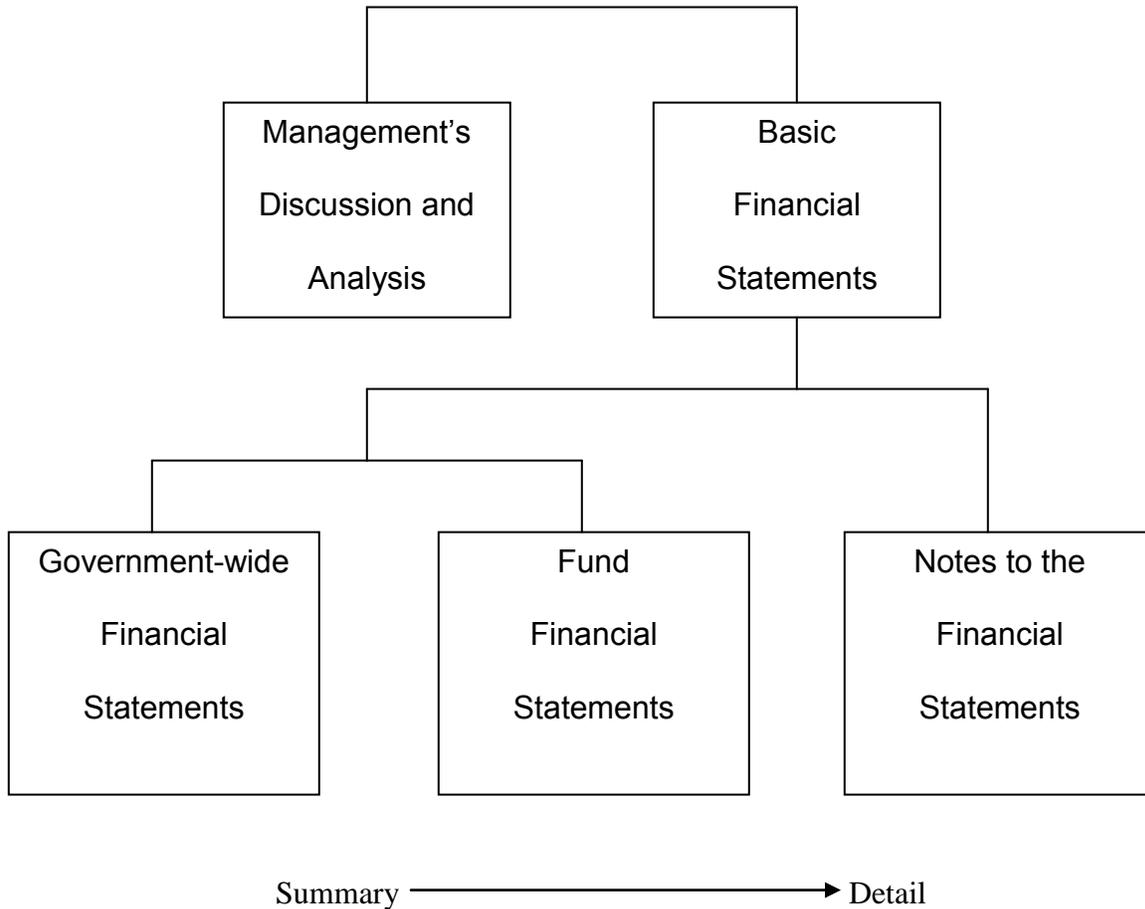
- The assets of A.C.E. Academy exceeded its liabilities and deferred inflows at the close of the fiscal year by \$13,673 (*net position*).
- The government's total net position increased by \$13,673 primarily due to increases in the governmental activities net position.
- As of the close of the current fiscal year, A.C.E. Academy's governmental funds reported combined ending fund balances of \$13,673.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to A.C.E. Academy's basic financial statements. The School's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the School through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of A.C.E. Academy.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (Exhibits 1 and 2) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the School's financial status.

The next statements (Exhibits 3 through 8) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the School's government. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements: 1) the governmental funds statements; and 2) the proprietary fund statements.

Management Discussion and Analysis

A.C.E. Academy

June 30, 2015

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the School's individual funds. Budgetary information for the School also can be found in this section of the statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the School's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the School's financial status as a whole.

The two government-wide statements report the School's net position and how they have changed. Net position is the difference between the School's total assets and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the School's financial condition.

The government-wide statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include most of the School's basic functions such as instructional services and business services. State, county, and federal funds provide virtually all of the funding for these functions. The business-type activities are those services for which the School charges its students and other customers to provide. These include the Food Service and Child Care services offered by A.C.E. Academy.

The government-wide financial statements are Exhibits 1 and 2 of this report.

Fund Financial Statements

The fund financial statements provide a more detailed look at the School's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. A.C.E. Academy, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the North Carolina General Statutes or the School's budget ordinance. All of the funds of A.C.E. Academy can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the School's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* that provides a

Management Discussion and Analysis

A.C.E. Academy

June 30, 2015

short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the School's programs. The relationship between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

A.C.E. Academy adopts an annual budget for each of its funds, although it is not required to do so by the General Statutes. Because the budget is not legally required by the Statutes, the budgetary comparison statements are not included in the basic financial statements, but are part of the supplemental statements and schedules that follow the notes. The budget is a legally adopted document that incorporates input from the faculty, management, and the Board of Directors of the School in determining what activities will be pursued and what services will be provided by the School during the year. It also authorizes the School to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for each of the funds demonstrates how well the School has complied with the budget ordinance and whether or not the School has succeeded in providing the services as planned when the budget was adopted.

Proprietary Funds – A.C.E. Academy has one proprietary fund, which is an enterprise funds. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. A.C.E. Academy uses enterprise funds to account for its school food services.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 20 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may, over time, serve as one useful indicator of a school's financial condition. The assets of A.C.E. Academy exceeded liabilities and deferred inflows of resources by \$13,673 as of June 30, 2015. As of June 30, 2015, the net position of A.C.E. Academy stood at \$13,673.

Management Discussion and Analysis
A.C.E. Academy
June 30, 2015

A.C.E. Academy's Net Position

Figure 2

	Governmental Activities	Business-type Activities	Total
	2015	2015	2015
Current and other assets	\$ 79,760	\$ -	\$ 79,760
Capital assets	-	-	-
Total assets	\$ 79,760	\$ -	\$ 79,760
Long-term liabilities outstanding	\$ -	\$ -	\$ -
Other liabilities	66,087	-	66,087
Total liabilities	\$ 66,087	\$ -	\$ 66,087
Deferred inflows of resources	\$ -	\$ -	\$ -
Net Position:			
Net investment in capital assets	\$ -	\$ -	\$ -
Unrestricted	13,673	-	13,673
Total Net Position	\$ 13,673	\$ -	\$ 13,673

Several particular aspects of the School's financial operations positively influenced the total unrestricted governmental net position:

- The School adopted an annual budget for all funds. The School's performance was measured using these budgets on a monthly basis, allowing changes in spending as needed to stay within the budget.

Management Discussion and Analysis
A.C.E. Academy
June 30, 2015

A.C.E. Academy Changes in Net Position
Figure 3

	Governmental Activities 2015	Business-type Activities 2015	Total 2015
Revenues:			
Program revenues:			
Charges for services	\$ -	\$ 30,432	\$ 30,432
Operating grants and contributions	83,442	-	83,442
General revenues:			
County, State, and Federal funds	1,119,984	-	1,119,984
Other	15,278	-	15,278
Total revenues	<u>1,218,704</u>	<u>30,432</u>	<u>1,249,136</u>
Expenses:			
Instructional services	585,333	-	585,333
System-wide support services	603,504	-	603,504
School food service	-	38,197	38,197
Interest on debt	8,429	-	8,429
Total expenses	<u>1,197,266</u>	<u>38,197</u>	<u>1,235,463</u>
Increase in net position before transfers	21,438	(7,765)	13,673
Transfers	<u>(7,765)</u>	<u>7,765</u>	<u>-</u>
Increase in net position	13,673	-	13,673
Net position, July 1	<u>-</u>	<u>-</u>	<u>-</u>
Net position, June 30	<u>\$ 13,673</u>	<u>\$ -</u>	<u>\$ 13,673</u>

Governmental activities: Governmental activities increased the School’s net position by \$13,673. The key elements of this increase was a donation from Vertex, LLC, the Academy’s landlord, in the amount of \$80,000.

Business-type activities: Business-type activities increased A.C.E. Academy’s net position by \$0. Key elements of this decrease are as follows:

- The academy ensures all students can eat a hot meal, however the Academy does not participate in the free and reduced federal National School Lunch Program. Because of this it is necessary to subsidize lunch for students who would otherwise qualify for free and reduced meals.

Management Discussion and Analysis
A.C.E. Academy
June 30, 2015

Financial Analysis of the School's Funds

As noted earlier, A.C.E. Academy uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of A.C.E. Academy's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing A.C.E. Academy's financing requirements. Specifically, unassigned fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of A.C.E. Academy. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$13,673, while total fund balance reached \$13,673.

Proprietary Funds. The School's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the School Food Service Fund at the end of the fiscal year amounted to \$0. Factors concerning the finances of this fund have already been addressed in the discussion of the School's business-type activities.

Capital Asset and Debt Administration

Capital assets. A.C.E. Academy had no investment in capital assets for its governmental and business-type activities as of June 30, 2015. Capital assets are single items purchased with a value that exceeds \$5,000. All of the furniture and fixtures for the academy had single item values that were less than \$5,000.

Management Discussion and Analysis

A.C.E. Academy

June 30, 2015

Economic Factors

The following key economic indicators reflect the growth and prosperity of the School:

- Though cutbacks in federal funding to education have resulted in a reduction of federal revenue for the School of 5% over the next year, the increase in the School's enrollment will bring more revenue to the School overall.
- The high growth rate (20%) of the tri-county area should increase the number of students in the School over the next three years. The School estimates growth in enrollment to continue at a 10–15% increase each year for the next three years.

Requests for Information

This report is designed to provide an overview of the School's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Executive Director, A.C.E. Academy, 7807 Caldwell Rd, Harrisburg, NC 28075, telephone (704) 456-7153.

A.C.E. ACADEMY
Statement of Net Position
June 30, 2015

Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 10,309	\$ -	\$ 10,309
Due from other governments	61,868	-	61,868
Prepaid items	3,883	-	3,883
Security deposits	3,700	-	3,700
	<u>79,760</u>	<u>-</u>	<u>79,760</u>
Total assets	<u>79,760</u>	<u>-</u>	<u>79,760</u>
LIABILITIES			
Accounts payable and accrued expenses	66,087	-	66,087
Total liabilities	<u>66,087</u>	<u>-</u>	<u>66,087</u>
NET POSITION			
Unrestricted	13,673	-	13,673
Total net position	<u>\$ 13,673</u>	<u>\$ -</u>	<u>\$ 13,673</u>

The accompanying notes to the financial statements are an integral part of these statements.

A.C.E. ACADEMY
Statement of Activities
For the Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary government:			
Governmental activities:			
Instructional services	\$ 585,333	\$ -	\$ 52,836
System-wide support services	603,504	-	-
Community services	-	-	-
Interest on long-term debt	8,429		
Total governmental activities	1,197,266	-	52,836
Business-type activities:			
School food service	38,197	30,432	-
Total business-type activities	38,197	30,432	-
Total primary government	\$ 1,235,463	\$ 30,432	\$ 52,836

General revenues:
 Unrestricted county appropriations
 Unrestricted State appropriations
 Donations- general
 Fines and forfeitures
 Investment earnings, unrestricted
 Miscellaneous, unrestricted
 Transfers
 Total general revenues

Change in net position

Beginning net position

Ending net position

<u>Net (Expense) Revenue and Changes in Net Position</u>		
<u>Primary Government</u>		
<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (532,497)	\$ -	\$ (532,497)
(603,504)	-	(603,504)
-	-	-
(8,429)	-	(8,429)
<u>(1,144,430)</u>	<u>-</u>	<u>(1,144,430)</u>
-	<u>(7,765)</u>	<u>(7,765)</u>
<u>-</u>	<u>(7,765)</u>	<u>(7,765)</u>
<u>(1,144,430)</u>	<u>(7,765)</u>	<u>(1,152,195)</u>
353,004	-	353,004
714,144	-	714,144
83,442	-	83,442
-	-	-
-	-	-
15,278	-	15,278
(7,765)	7,765	-
<u>1,158,103</u>	<u>7,765</u>	<u>1,165,868</u>
<u>13,673</u>	<u>-</u>	<u>13,673</u>
<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 13,673</u>	<u>\$ -</u>	<u>\$ 13,673</u>

The accompanying notes to the financial statements are an integral part of these statements.

A.C.E. ACADEMY
Balance Sheet
Governmental Funds
June 30, 2015

Exhibit 3

	Major Funds		Non-Major Fund	Total Governmental Funds
	General	State Public School	Federal Grants	
ASSETS				
Cash and cash equivalents	\$ 9,356	\$ -	\$ 953	\$ 10,309
Due from other governments	61,868	-	-	61,868
Prepaid items	3,883	-	-	3,883
Security deposits	3,700	-	-	3,700
Total assets	\$ 78,807	\$ -	\$ 953	\$ 79,760
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 65,134	\$ -	\$ 953	\$ 66,087
Total liabilities	65,134	-	953	66,087
Fund balances:				
Nonspendable:				
Security deposits	3,700	-	-	3,700
Prepaid items	3,883	-	-	3,883
Unassigned	6,090	-	-	6,090
Total fund balances	13,673	-	-	13,673
Total liabilities, deferred inflows of resources and fund balances	\$ 78,807	\$ -	\$ 953	

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:

Net position of governmental activities

-
\$ 13,673

The accompanying notes to the financial statements are an integral part of these statements.

A.C.E. ACADEMY
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2015

Exhibit 4

	<u>Major Funds</u>		<u>Non-major Fund</u>	<u>Total Governmental Funds</u>
	<u>General</u>	<u>State Public School</u>	<u>Federal Grants</u>	
REVENUES				
State of North Carolina	\$ -	\$ 714,144	\$ -	\$ 714,144
Boards of Education	353,004	-	-	353,004
U.S. Government	-	-	52,836	52,836
Contributions and donations	83,442	-	-	83,442
Other	15,278	-	-	15,278
Total revenues	<u>451,724</u>	<u>714,144</u>	<u>52,836</u>	<u>1,218,704</u>
EXPENDITURES				
Current:				
Instructional services	214,590	317,907	52,836	585,333
System-wide support services	215,696	387,808	-	603,504
Community services	-	-	-	-
Debt service:				
Interest and other charges	-	8,429	-	8,429
Total expenditures	<u>430,286</u>	<u>714,144</u>	<u>52,836</u>	<u>1,197,266</u>
Excess (deficiency) of revenues over expenditures	<u>21,438</u>	<u>-</u>	<u>-</u>	<u>21,438</u>
OTHER FINANCING SOURCES (USES)				
Transfers to other funds	<u>(7,765)</u>	<u>-</u>	<u>-</u>	<u>(7,765)</u>
Total other financing sources (uses)	<u>(7,765)</u>	<u>-</u>	<u>-</u>	<u>(7,765)</u>
Net change in fund balance	13,673	-	-	13,673
Beginning fund balance	-	-	-	-
Ending fund balance	<u>\$ 13,673</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,673</u>

The accompanying notes to the financial statements are an integral part of these statements.

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2015**

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

Net changes in fund balances- total governmental funds	<u>\$ 13,673</u>
Total changes in net position of governmental activities	<u><u>\$ 13,673</u></u>

The accompanying notes to the financial statements are an integral part of these statements.

A.C.E. ACADEMY
Statement of Net Position
Proprietary Funds
June 30, 2015

Exhibit 6

	Enterprise Funds
	Non-Major Fund
	School Food
	Service
ASSETS	
Current assets:	
Due from other governments	\$ -
Prepaid expenses	-
Total current assets	\$ -
LIABILITIES	
Current liabilities:	
Accounts payable and accrued expenses	\$ -
Total current liabilities	-
NET POSITION	
Unrestricted	-
Total net position	\$ -

The accompanying notes to the financial statements are an integral part of these statements.

A.C.E. ACADEMY
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2015

Exhibit 7

	Enterprise Funds
	Non-Major Fund
	School Food
	Service
OPERATING REVENUES	
Food sales	\$ 30,432
Total operating revenues	30,432
OPERATING EXPENSES	
Food cost:	
Purchase of food	35,692
Materials and supplies	2,505
Total operating expenses	38,197
Operating loss	(7,765)
NONOPERATING REVENUES	
Transfers from other funds	7,765
Total nonoperating revenues	7,765
Change in net position	-
Total net position - beginning	-
Total net position - ending	\$ -

The accompanying notes to the financial statements are an integral part of these statements.

A.C.E. ACADEMY
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2015

Exhibit 8

	Enterprise Funds
	Non-Major Fund
	School Food
	Service
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 30,432
Cash paid for goods and services	(38,197)
Net cash used by operating activities	(7,765)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from other funds	7,765
Net cash provided by noncapital financing activities	7,765
Net increase in cash and cash equivalents	-
Balances - beginning of year	-
Balances - end of year	\$ -
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (7,765)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Increase in accounts payable and accrued expenses	-
Net cash used by operating activities	\$ (7,765)

The accompanying notes to financial statements are an integral part of these statements.

A.C.E ACADEMY
Notes to the Financial Statements
For the Year Ended June 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of A.C.E. Academy (the School) conform to generally accepted accounting principles (GAAP) as applicable to governments. Charter schools are established by non-profit entities. Because of the authority of the State Board of Education (SBE) to unilaterally abolish a school with all the assets reverting to a local education agency, the charter schools in North Carolina follow the governmental reporting model, as used by local education agencies. The following is a summary of the more significant accounting policies:

A) Reporting Entity

The A.C.E. Academy is a public school operated by a non-profit corporation, serving approximately 150 students. The School operates under an approved charter received from the SBE, and applied for under the provisions of General Statute (G.S.) 115C-238.29B. G.S. 115C-238.29F(f)(1) states that a charter school shall be subject to the audit requirements adopted by the SBE, which includes the audit requirements established by G.S. 115C-447 of the School Budget and Fiscal Control Act (SBFCA). G.S. 115C-447 also requires financial statements to be prepared in accordance with GAAP.

B) Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the School. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the School. Governmental activities generally are financed through intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the School and for each function of the School's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the School's funds. Separate statements for each fund category – *governmental and proprietary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are reported as non-major funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principle activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

A.C.E ACADEMY
Notes to the Financial Statements
For the Year Ended June 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B) Basis of Presentation (Continued)

The School reports the following major governmental funds:

General Fund: The General Fund is the general operating fund of the School. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund.

State Public School Fund: The State Public School Fund includes appropriations from the Department of Public Instruction for current operating needs of the School and is reported as a special revenue fund.

The School reports the following major enterprise fund:

School Food Service Fund: The School Food Service Fund is used to account for the food service program within the School.

C) Measurement Focus and Basis of Accounting

Government-wide and Proprietary Fund Financial Statements. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund 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 School 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.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The School considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. These could include federal, State, and county grants, and some charges for services. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the School funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the School's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

A.C.E ACADEMY
Notes to the Financial Statements
For the Year Ended June 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D) Budgetary Data

Annual budgets are adopted for all funds, on a School wide basis. All budgets are prepared using the modified accrual basis of accounting.

The governing board has voluntarily established the policy, as a sound business practice, that expenditures may not exceed appropriations, for all of the School's funds, based on the adopted budget and subsequent amendments. During the year, several amendments to the original budget were necessary. The budget presented in the supplementary information represents the budget of the School at June 30, 2015. All appropriations lapse at year end.

E) Assets, Liabilities, Deferred Outflows and Inflows of Resources and Fund Equity

1. Deposits and Investments

All deposits of the School are made in a local banks, whose accounts are FDIC insured. Also, the School may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

2. Cash and Cash Equivalents

The School pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

3. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

4. Capital Assets

The School's capital assets are recorded at original cost. Donated assets are listed at their estimated fair value at the date of donation. The total of these estimates is not considered large enough that any errors would be material when capital assets are considered as a whole.

It is the policy of the School to capitalize all capital assets costing more than \$5,000 with an estimated useful life of two or more years. All depreciable assets are depreciated using the straight-line method of depreciation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

A.C.E ACADEMY
Notes to the Financial Statements
For the Year Ended June 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E) Assets, Liabilities, Deferred Outflows and Inflows of Resources and Fund Equity (Continued)

4. Capital Assets (Continued)

Capital assets are depreciated over the following estimated useful lives:

	Years
Buildings	5 – 40
Building equipment	5 – 15
Building improvements	15
Furniture and office equipment	5 – 7
Instructional equipment	5 - 7
Computer equipment	5

6. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position.

In the fund financial statements, governmental fund types report the face amount of debt issued as other financing sources.

7. Compensated Absences

The liability for compensated absences reported in the government-wide statements consists of unpaid, accumulated vacation leave balances. Employees may accumulate up to thirty (30) days earned vacation leave with such leave being fully vested when earned. The School accounts for its leave on a first-in, first-out basis, such that the oldest available leave is used first. The current portion of the liability is recorded as such in the government-wide financial statements.

The sick leave policy of the School provides for an accumulation of earned sick leave of ten (10) days per year for all full-time employees. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the School has no obligation for accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

8. Net Position/Fund Balances

Net Position

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

A.C.E ACADEMY
Notes to the Financial Statements
For the Year Ended June 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E) Assets, Liabilities, Deferred Outflows and Inflows of Resources and Fund Equity (Continued)

8. Net Position/Fund Balances (Continued)

Fund Balance

In the governmental fund financial statements, fund balance is composed of two classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balance as follows:

Nonspendable Fund Balance – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Prepaid Items – Portion of fund balance that is not an available resource because it represents the year-end balance of prepaid utilities and rent on the school facility which is not a spendable resource.

Security Deposits – Portion of fund balance that is not an available resource because it represents the year-end balance of security deposits for the school facility which is not a spendable resource.

Unassigned Fund Balance – the portion of fund balance that has not been assigned to another fund or restricted, committed, or assigned to specific purposes within the General Fund.

The School has a revenue spending policy that provides guidance for programs with multiple revenue sources. The School will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-board of education funds, board of education funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance, and lastly unassigned fund balance. The Board of Directors has the authority to deviate from this policy if it is in the best interest of the School.

A.C.E ACADEMY
Notes to the Financial Statements
For the Year Ended June 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E) Assets, Liabilities, Deferred Outflows and Inflows of Resources and Fund Equity (Continued)

9. Reconciliation of Government-wide and Fund Financial Statements

The governmental fund balance sheet includes a reconciliation between governmental funds' total fund balance and governmental activities' net position as reported in the government-wide statement of net position. There is no net adjustment.

F) Revenues, Expenditures, and Expenses

1. Funding

A.C.E. Academy is funded by the State Board of Education, receiving (i) an amount equal to the average per pupil allocation for the average daily membership (ADM) from the local school administrative unit allotments in which the School is located (i.e. Durham County Board of Education) for each child attending the School except for the allocation for children with special needs and (ii) an additional amount for each child attending the School who is a child with special needs [G.S. 115C-238.29H(a)]. Additionally, the appropriate local school administrative unit(s) transfers to the School, for each student who resides in the local administrative unit and attends the charter school, an amount equal to the per pupil local current expense appropriation to the respective local school administrative unit for the fiscal year. [G.S. 115C-238.29H(b)]. For the fiscal year ended June 30, 2015, A.C.E. Academy received funding from the Board of Education for Mecklenburg County, Cabarrus County, Rowan County, and the City of Kannapolis.

Furthermore, A.C.E Academy has received donations of cash and/or equipment from private organizations. The cash is available to be used throughout the year for the School's various programs and activities.

2. Reconciliation of Government-wide and Fund Financial Statements

The governmental fund statement of revenues, expenditures, and changes in fund balance is followed by reconciliation between the change in governmental funds' fund balance and the change in governmental activities' net position as reported on the government-wide statement of activities. There was not net difference.

G) Use of Estimates and Assumption

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenditures.

A.C.E ACADEMY
Notes to the Financial Statements
For the Year Ended June 30, 2015

II. DETAIL NOTES ON ALL FUNDS

A) Assets

1. Deposits

At June 30, 2015, the School had deposits with banks and savings and loans with a carrying amount of \$10,309. The bank balance with the financial institution was \$10,499 all of which was covered by federal depository insurance the School does not have a deposit policy for custodial credit risk.

B) Liabilities

1. Risk Management

The School is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School maintains general liability and errors and omissions insurance coverage of \$1 million per occurrence with a commercial carrier.

The School has obtained a major medical insurance policy for its personnel through a commercial insurer. Through the plan, permanent, full-time employees of the School are eligible to receive health care benefits.

The School carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year and claims have not exceeded coverage in any of the past two fiscal years.

The School has elected not to carry flood insurance because the School is not in an area of the State that has been mapped and designated an "A" area (an area close to a river, lake, or stream) by the Federal Emergency Management Agency.

The School did not carry the required fidelity bond coverage of \$250,000 for all its employees during the year ended June 30, 2015.

2. Long-Term Obligations

a) Operating Lease

The School leases the school facility under an operating lease, which begins in July 2015 and expires in July 2035. The monthly payment on the lease is \$28,380 per month for the first two years with a 2% increase per annum for each of the following eighteen years. The previous lease began in July 2014. The term was for six months through December 2014 with a six month option. The School chose to exercise three months of that option. The monthly payment on the previous lease was \$16,000 per month. Total costs associated with the previous lease were \$144,833 for the year ended June 30, 2015.

A.C.E ACADEMY
Notes to the Financial Statements
For the Year Ended June 30, 2015

II. DETAIL NOTES ON ALL FUNDS (CONTINUED)

B) Liabilities (Continued)

2. Long-Term Obligations (Continued)

a) Operating Lease (Continued)

Future obligations are as follows:

<u>Year Ending</u>	
June 30, 2016	340,562
June 30, 2017	340,562
June 30, 2018	349,076
June 30, 2019	357,802
June 30, 2020	366,748
Thereafter	<u>6,740,902</u>
	<u><u>\$8,495,652</u></u>

b) Interfund Balances and Activity

The composition of interfund balances as of June 30, 2015 are as follows:

Transfers from General Fund to Enterprise Fund \$ 7,764

C) Fund Balance

The School has a revenue spending policy that provides guidance for programs with multiple revenue sources. The School will use resources in the following hierarchy: bond proceeds, federal funds, State funds, and local funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance, and lastly unassigned fund balance. The Board of Directors has the authority to deviate from this policy if it is in the best interest of the School.

The following schedule provides management and citizens with information on the portion of General fund balance that is available for appropriation.

Total fund balance	\$ 13,673
Less:	
Prepaid items	3,883
Security deposits	3,700
Remaining fund balance	<u>\$ 6,090</u>

A.C.E ACADEMY
Notes to the Financial Statements
For the Year Ended June 30, 2015

III. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

The School has received proceeds from several federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

IV. RELATED PARTY TRANSACTIONS

The School contracts it's before and after school care program with a related corporation, Academic Achievers/S&L Consultants, LLC (the Corporation). The Corporation is partly owned by the School's executive director, Laila Minott, and board chair, Shawn Smalls. The amount paid to the Corporation by the School for the year ended June 30, 2015 was \$5,650. In future school years, parents will pay the Corporation directly for before and after school care.

Dawn Hammond serves as the board treasurer. She also receives payments as a substitute teacher occasionally. For the year ended June 30, 2015, she received \$1,680 in payments as a substitute teacher.

V. SUBSEQUENT EVENTS

Management has evaluated subsequent events to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through November 29, 2015 which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

A.C.E ACADEMY

Schedule 1

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Government Fund Types

For the Year Ended June 30, 2015

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
State of North Carolina	\$ 673,293	\$ 714,144	\$ 40,851
Boards of Education:			
Cabarrus County	46,358	65,239	18,881
Mecklenburg County	273,818	283,403	-
Other	-	4,362	4,362
U.S. Government	56,522	52,836	(3,686)
Fines and forfeitures	-	-	-
Donations	80,000	83,442	3,442
Others	-	15,278	15,278
Total revenues	<u>1,129,991</u>	<u>1,218,704</u>	<u>79,128</u>
EXPENDITURES			
Salaries and bonuses	458,681	479,572	(20,891)
Employee benefits	83,640	100,456	(16,816)
Books and supplies	67,500	46,355	21,145
Technology	42,000	23,298	18,702
Non-capitalized equipment and leases	5,000	21,116	(16,116)
Administrative services	118,867	178,553	(59,686)
Rent	127,842	144,833	(16,991)
Insurance	15,341	7,488	7,853
Facilities	27,500	37,816	(10,316)
Utilities	49,800	51,476	(1,676)
Transportation and travel	97,248	97,874	(626)
Total	<u>1,093,419</u>	<u>1,188,837</u>	<u>(95,418)</u>
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>
Debt service:			
Interest and other charges	8,430	8,429	1
Total debt service	<u>8,430</u>	<u>8,429</u>	<u>1</u>
Total expenditures	<u>1,101,849</u>	<u>1,197,266</u>	<u>(95,417)</u>
Other financing sources (uses):			
Transfers	-	(7,765)	(7,765)
Fund balance appropriated	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>(7,765)</u>	<u>(7,765)</u>
Excess of revenue over expenditures	<u>\$ 28,142</u>	<u>\$ 13,673</u>	<u>\$ (14,469)</u>
Fund balance - beginning		<u>-</u>	
Fund balance - ending		<u>\$ 13,673</u>	

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Proprietary Fund Types

For the Year Ended June 30, 2015

	Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Food sales	\$ -	\$ 30,432	\$ 30,432
Total revenues	<u>-</u>	<u>30,432</u>	<u>30,432</u>
EXPENDITURES			
Food purchases	10,000	35,692	(25,692)
Materials and supplies	<u>-</u>	<u>2,505</u>	<u>(2,505)</u>
Total expenditures	<u>10,000</u>	<u>38,197</u>	<u>(28,197)</u>
Revenues over (under) expenditures	<u>(10,000)</u>	<u>(7,764)</u>	<u>2,236</u>
Other financing sources (uses):			
Transfers	-	7,765	7,765
Fund balance appropriated	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources	<u>-</u>	<u>7,765</u>	<u>7,765</u>
Revenues and other sources over expenditures	<u>\$ (10,000)</u>	<u>\$ -</u>	<u>\$ 10,000</u>

COMPLIANCE SECTION



Rives & Associates, LLP
Certified Public Accountants

Member:
American Institute of
Certified Public Accountants

Member:
North Carolina Association of
Certified Public Accountants

www.rivescpa.com

**Independent Auditors' 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
A.C.E. Academy
Harrisburg, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of A.C.E. Academy, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise A.C.E. Academy's basic financial statements, and have issued our report thereon dated November 29, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered A.C.E. Academy'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 A.C.E. Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of A.C.E. 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 the internal control was for 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 A.C.E. Academy's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial 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.

Rivers & Associates LLP

Raleigh, North Carolina
November 29, 2015



Rives & Associates, LLP
Certified Public Accountants

Member:
American Institute of
Certified Public Accountants

Member:
North Carolina Association of
Certified Public Accountants

www.rivescpa.com

Independent Auditors' Report On Compliance With Requirements Applicable To Each Major State Program And Internal Control Over Compliance In Accordance With OMB Circular A-133 And The State Single Audit Implementation Act

To the Board of Directors
A.C.E. Academy
Harrisburg, North Carolina

Report on Compliance for Each Major State Program

We have audited the A.C.E. Academy, North Carolina, with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the A.C.E. Academy's major State programs for the year ended June 30, 2015. The A.C.E. Academy's major State program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its State programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the A.C.E. Academy's major State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable sections of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about the A.C.E. Academy's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major State program. However, our audit does not provide a legal determination of the A.C.E. Academy's compliance.

Opinion on Each Major State Program

In our opinion, the A.C.E. Academy complied, in all material respects, with the types of compliance requirements referred to that could have a direct and material effect on its major State program for the year ended June 30, 2015.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2015-01, 2015-02, and 2015-03. Our opinion on each major federal program is not modified with respect to these matters.

A.C.E. Academy's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. A.C.E. Academy's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of A.C.E. Academy is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered A.C.E. Academy's internal control over compliance with the types of requirements that are appropriate in the circumstances that could have a direct and material effect on a major State program to determine the auditing procedures for the purpose of expressing our opinion on compliance for each major State program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the State Single Audit Implementation Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of A.C.E. Academy's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2015-01, 2015-02, and 2015-03 that we consider to be significant deficiencies.

A.C.E. Academy's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. A.C.E. Academy's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Rives & Associates LLP

Raleigh, North Carolina
November 29, 2015

A.C.E. ACADEMY
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditors' report issued:		Unmodified		
Internal control over financial reporting:				
Material weaknesses identified?	_____	yes	_____ <input checked="" type="checkbox"/>	no
Significant deficiency(s) identified that are not considered to be material weaknesses?	_____	yes	_____ <input checked="" type="checkbox"/>	none reported
Noncompliance material to financial statements noted	_____	yes	_____ <input checked="" type="checkbox"/>	no

State Awards

Internal control over major State programs:				
Material weaknesses identified?	_____	yes	_____ <input checked="" type="checkbox"/>	no
Significant deficiency(s) identified that are not considered to be material weakness(es)?	_____ <input checked="" type="checkbox"/>	yes	_____	none reported
Type of auditors' report issued on compliance for major State programs:		Unmodified		
Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act	_____ <input checked="" type="checkbox"/>	yes	_____	no

Identification of major State programs:

Program Name
State Public School Fund - Charter Schools

SECTION II - FINANCIAL STATEMENT FINDINGS

None reported.

A.C.E. ACADEMY
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

SECTION III - STATE AWARD FINDINGS AND QUESTIONED COSTS

Finding: 2015-01

SIGNIFICANT DEFICIENCY

Criteria: The school shall obtain and maintain the minimum insurance levels per the Charter Agreement, Section 13 "Insurance and Bonding".

Condition: The School did not obtain or maintain the required \$250,000 of fidelity bond insurance during the year.

Effect: The School was in violation of G.S. 115C-218.15(b).

Cause: The School was not aware of the requirement to obtain and maintain a minimum amount of fidelity bond insurance.

Questioned Costs: None

Recommendation: The School should obtain and maintain the minimum insurance levels as required by the Charter Agreement.

Views of responsible officials and planned corrective actions: The School agrees with the finding and has obtained the required levels of insurance.

A.C.E. ACADEMY
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

SECTION III - STATE AWARD FINDINGS AND QUESTIONED COSTS

Finding: 2015-02

SIGNIFICANT DEFICIENCY

Criteria: The School is required to maintain documentation on each child that supports the inclusion of that child as a child with a disability on the exceptional children count register.

Condition: The School did not have a Permission to Place form in the file for one of the children chosen for testing.

Effect: The School was in violation of G.S. 115C-12(5) and G.S. 115C-218.105.

Cause: The School requested the Permission to Place form from Charlotte-Mecklenburg Schools, in which the child was enrolled, but never received it.

Questioned Costs: None

Recommendation: The School should request a copy of the Permission to Place form again or create a new form.

Views of responsible officials and planned corrective actions: The School agrees with the finding.

A.C.E. ACADEMY
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

SECTION III - STATE AWARD FINDINGS AND QUESTIONED COSTS

Finding: 2015-03

SIGNIFICANT DEFICIENCY

Criteria: The School is required to make payments of obligations in accordance with requirements of the General Statutes and rules and regulations issued by the Department of Public Instruction.

Condition: The School did not have prior approval noted on several invoices tested, nor were several invoices properly cancelled.

Effect: The School was in violation of the General Statutes and rules and regulations issued by the Department of Public Instruction.

Cause: The School did not have proper internal control procedures in place due to the small size of the School in the first year of operations.

Questioned Costs: None

Recommendation: The School should establish internal control procedures to review and approve of invoices with more than one person.

Views of responsible officials and planned corrective actions: The School agrees with the finding.

**A.C.E. ACADEMY
Corrective Action Plan
For the Year Ended June 30, 2015**

SECTION III - STATE AWARD FINDINGS AND QUESTIONED COSTS

Finding: 2015-01

Name of contact person: Laila Minott, Executive Director

Corrective action: The School will obtain the minimum levels of fidelity bond insurance.

Proposed completion date: Immediately

Finding: 2015-02

Name of contact person: Laila Minott, Executive Director

Corrective action: The School will request the Permission to Place form for the child in question from the previous school system.

Proposed completion date: Immediately

Finding: 2015-03

Name of contact person: Laila Minott, Executive Director

Corrective action: The School should implement internal control procedures for the approval and cancellation of invoices.

Proposed completion date: Immediately

A.C.E. ACADEMY
Summary Schedule of Prior Year Audit Findings
For the Year Ended June 30, 2015

No findings noted in the prior year.

A.C.E. ACADEMY
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2015

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/Pass- Through Grantor's Number	Expenditures
FEDERAL GRANTS			
Cash Assistance			
<u>U.S. Department of Education</u>			
Passed-through the N.C. Department of Public Instruction			
Title 1 Cluster:			
IASA Title 1 - LEA Basic Education	84.010A	PRC 050	\$ 24,029
Total 1 Cluster			24,029
Title VI-B Cluster:			
Title VI-B Handicapped	84.027A	PRC 060	22,482
Title VI-B Targeted Assistance (Special Needs)	84.027	PRC 118	1,300
Total Title VI-B Cluster			23,782
Improving Teacher Quality	84.367A	PRC 103	5,025
Total U.S. Department of Education			52,836
Total federal assistance			52,836
STATE GRANTS			
Cash Assistance:			
<u>N.C. Department of Public Instruction:</u>			
State Public School Fund - Charter Schools		PRC 036	714,144
Total State assistance			714,144
Total federal and State assistance			\$ 766,980

Notes to the Schedule of Expenditures of Federal and State Financial Awards:

The accompanying schedule of expenditures of federal and State awards includes the federal and State grant activity of A.C.E. Academy and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State Single Audit Implementation Act. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.