

**Audited Financial Statements**

# **Old Mission Peninsula School**

Traverse City, Michigan

**June 30, 2021**

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## INDEPENDENT AUDITOR'S REPORT

### To the Board of Directors of Old Mission Peninsula School

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Old Mission Peninsula School as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Old Mission Peninsula School's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditor's Responsibility***

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

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

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

#### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Old Mission Peninsula School, as of June 30, 2021, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Old Mission Peninsula School's basic financial statements. The schedules of revenues and expenditures are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules of revenues and expenditures 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 schedules of revenues and expenditures, 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 report dated October 26, 2021, on our consideration of Old Mission Peninsula School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Old Mission Peninsula School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Old Mission Peninsula School's internal control over financial reporting and compliance.



Croskey Lanni, PC

Rochester, Michigan  
October 26, 2021



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

**To the Board of Directors  
of Old Mission Peninsula School**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Old Mission Peninsula School, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Old Mission Peninsula School's basic financial statements, and have issued our report thereon dated October 26, 2021.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Old Mission Peninsula School's internal control over financial reporting (internal control) as a basis for designing audit 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 Old Mission Peninsula School's internal control. Accordingly, we do not express an opinion on the effectiveness of Old Mission Peninsula School's internal control.

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

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

**Compliance and Other Matters**

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

**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.



Croskey Lanni, PC

Rochester, Michigan  
October 26, 2021

## MANAGEMENT’S DISCUSSION AND ANALYSIS

This section of Old Mission Peninsula School’s annual financial report presents our discussion and analysis of the public school Academy’s financial performance during the fiscal year that ended on June 30, 2021. Please read it in conjunction with the Academy’s financial statements, which immediately follow this section.

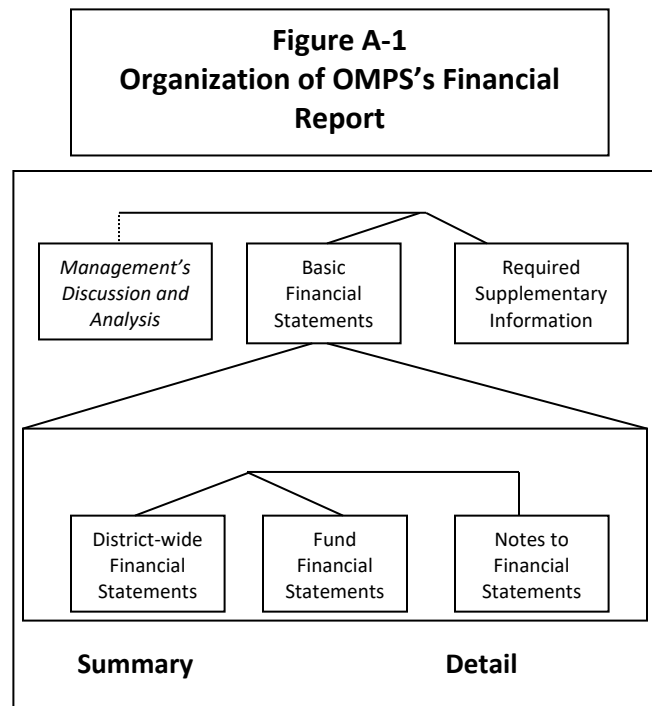
### Financial Highlights

- The Academy had an increase in the general fund balance of \$137,304 for the fiscal year ended June 30, 2020.
- This was the Academy’s third year of operations. The Academy continues to be entrenched in the community and provide a solid, enriching academic experience for the students.
- The COVID pandemic presented a challenge to all businesses and schools across the state. However, the Academy’s financial outlook remains stable.

## OVERVIEW OF THE FINANCIAL STATEMENTS

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

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



The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the Academy’s budget for the year. Figure A-1 shows how the various parts of the annual report are arranged and related to one another.

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

**Figure A-2 Major Features of the Academy-Wide and Fund Financial Statements**

	Academy-wide statements	Governmental funds	Fiduciary funds
Scope	Entire academy (except fiduciary funds)	All activities of the academy that are not fiduciary	Instances in which the academy administers resources on behalf of someone else, such as student activities monies
Required financial statements	* Statement of net position * Statement of activities	* Balance sheet * Statement of revenues, expenditures and changes in fund balances	Statement of fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term, the academy's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

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

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

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



## **Fund Financial Statements**

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

- Some funds are required by State law.
- The Academy establishes other funds to control and manage money for particular purposes (like repaying its long-term debts) or show that it is properly using certain revenues (like school lunch).

The Academy has only governmental funds – a general fund and a special revenue fund for the nutrition program. Most of the Academy's basic services are included in governmental funds which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Academy's programs. Because this information does not encompass the additional long-term focus of the Academy-wide statements, we provide additional information with the governmental funds statement that explains the relationship (or differences) between them.

## **Financial Analysis of the Academy as a Whole**

The Academy is reporting a combined net position of \$635,756.

The total governmental fund revenues of the Academy were \$2,199,587. State aid foundation allowance included in revenue from state sources accounts for 66% of the Academy's revenue. Blended enrollment of 166.06 was the paid state aid membership during the fiscal year.

The total cost of instruction in the second year of operations was \$1,230,897. Support services were provided in the amount of \$609,677. Other costs accounted for in the general fund included capital outlays in the amount of \$210,737 and an operating transfer out to the school service fund in the amount of \$10,882.

## **Financial Analysis of The Academy's Funds**

The financial operation of the Academy is considered stable. The general fund balance at June 30, 2021 is \$340,036.

## **General Fund Budgetary Highlights**

Over the course of the year, the Academy revised the general fund annual operating budget to stay within its budgetary plan.

The Academy's final budget for the general fund anticipated revenues, expenditures, and other financing sources or uses to reflect a \$114,104 increase to fund balance.

Actual revenues were \$5,184 more than budget.

Actual expenditures were \$26,427 less than budget primarily due to the lower than expected spending for some positions and supplies as well as timing of purchases related to the Charter School Grant.

Academy Governmental Activities

<b>Table A-3</b>		
<b>Old Mission Peninsula School's Net Position</b>		
	<b>2021</b>	<b>2020</b>
Current and other assets	\$ 599,852	\$ 445,214
Capital assets, net	295,720	184,265
Total assets	<u>895,572</u>	<u>629,479</u>
Current liabilities and deferred inflows	<u>259,816</u>	<u>242,482</u>
Net position:		
Investment in capital assets	295,720	184,265
Unrestricted	<u>340,036</u>	<u>202,732</u>
Total net position	<u>\$ 635,756</u>	<u>\$ 386,997</u>

<b>Table A-4</b>		
<b>Changes in Old Mission Peninsula School's Net Position</b>		
	<b>2021</b>	<b>2020</b>
Revenues:		
Program revenues:		
Charges for services	\$ 116,291	\$ 29,236
Federal and state operating grants	710,343	257,605
General revenues:		
State aid - unrestricted	1,359,703	1,371,130
Other	<u>13,250</u>	<u>262,023</u>
Total revenues	2,199,587	1,919,994
Expenses:		
Instruction	1,230,987	981,424
Support services	620,559	616,700
Unallocated depreciation	<u>99,282</u>	<u>16,687</u>
Total expenses	<u>1,950,828</u>	<u>1,614,811</u>
Change in net position	<u>\$ 248,759</u>	<u>\$ 305,183</u>

## Capital Asset and Debt Administration

### Capital Assets

As of June 30, 2021 the Academy had invested \$295,720 in capital assets net of accumulated depreciation as summarized in Figure A-5. This amount represents a net increase of \$111,455 from the beginning of the year. Total depreciation expense for the year was \$99,282. More detailed information about capital assets can be found in Note 5 to the financial statements.

The Academy's capital assets are as follows:

	<u>2021</u>	<u>2020</u>
Improvements	\$ 42,511	\$ 42,511
Furniture and equipment	107,320	49,992
Computers	<u>271,255</u>	<u>117,846</u>
Subtotal	421,086	210,349
Less accumulated depreciation	<u>125,366</u>	<u>26,084</u>
Net book value of assets	<u><u>\$ 295,720</u></u>	<u><u>\$ 184,265</u></u>

### Long-Term Debt

The Academy has no long-term debt as of June 30, 2021.

### Factors Bearing on The Academy's Future

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

- The charter agreement with Grand Valley State University expires June 30, 2025.
- The school aid budget for 2021/2022 has been approved by the state legislature with a fairly large increase in per pupil funding. This is better than the Academy's original plan for 2021/2022 as the impact to funding is higher than planned. In addition, the student count at the Academy has been growing. The Academy also received additional funding related to the interruption of economics in the state of Michigan from the COVID pandemic. These funds will slowly taper off in the next few years.
- The 2021/2022 school year is the final year of the approved charter school grant program. This grant has provided significant resources to the Academy for purchases of technology and curriculum.

### Contacting The Academy's Financial Management

This financial report is designed to provide our students, parents and creditors with a general overview of the Academy's finances and to demonstrate the Academy's accountability for the money it receives. If you have questions about this report or need additional information, contact the Academy's Board of Directors, 2699 Island View Rd., Traverse City, MI 49686, (231) 252-0225.

# OLD MISSION PENINSULA SCHOOL

## STATEMENT OF NET POSITION JUNE 30, 2021

### ASSETS

#### Current Assets

Cash and cash equivalents	\$	179,303
Accounts receivable		999
Due from other governmental units		346,340
Prepaid expenses		<u>73,210</u>
Total current assets		599,852

#### Capital Assets - Net of Accumulated Depreciation

295,720

Total assets	\$	<u><u>895,572</u></u>
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### LIABILITIES AND NET POSITION

#### Current Liabilities

Accounts payable	\$	83,557
Notes payable		36,847
Unearned revenue		22,505
Other accrued expenses		<u>116,907</u>
Total current liabilities		259,816

#### Net Position

Net investment in capital assets		295,720
Unrestricted		<u>340,036</u>
Total net position		<u>635,756</u>
Total liabilities and net position	\$	<u><u>895,572</u></u>

See accompanying notes to financial statements

## OLD MISSION PENINSULA SCHOOL

### STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2021

		Program Revenues		Net (Expense) Revenues and Changes in Net Position
	Expenses	Charges for Services	Operating Grants	Government Type Activities
<b>Functions</b>				
Instruction				
Basic programs	\$ 1,150,974	\$ 81,912	\$ 463,358	\$ (605,704)
Added needs	80,013	-	80,013	-
Support services				
Instructional staff support services	3,535	-	3,355	(180)
General administration	71,590	-	12,426	(59,164)
School administration	196,453	-	10,262	(186,191)
Business support services	36,476	-	13,181	(23,295)
Operations and maintenance	197,903	-	21,400	(176,503)
Central support services	42,839	-	106,348	63,509
Food services	60,881	34,379	-	(26,502)
Unallocated depreciation	99,282	-	-	(99,282)
Unallocated interest	10,882	-	-	(10,882)
	<u>\$ 1,950,828</u>	<u>\$ 116,291</u>	<u>\$ 710,343</u>	<u>(1,124,194)</u>
<b>General Purpose Revenues</b>				
State school aid - unrestricted				1,359,703
Miscellaneous revenues				13,250
				<u>1,372,953</u>
Change in net position				248,759
Net position - July 1, 2020				<u>386,997</u>
Net position - June 30, 2021				<u>\$ 635,756</u>

See accompanying notes to financial statements

# OLD MISSION PENINSULA SCHOOL

## COMBINED BALANCE SHEET – ALL GOVERNMENTAL FUNDS JUNE 30, 2021

### ASSETS

Cash and cash equivalents	\$ 179,303
Accounts receivable	999
Due from other governmental units	346,340
Prepaid expenses	<u>73,210</u>
Total assets	<u>\$ 599,852</u>

### LIABILITIES AND FUND BALANCE

#### Liabilities

Accounts payable	\$ 83,557
Notes payable	36,847
Unearned revenue	22,505
Other accrued expenses	<u>116,907</u>
Total liabilities	259,816

#### Fund Balance

Nonspendable	73,210
Unassigned	<u>266,826</u>
Total fund balance	<u>340,036</u>
Total liabilities and fund balance	<u>\$ 599,852</u>

See accompanying notes to financial statements

## OLD MISSION PENINSULA SCHOOL

### RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET POSITION OF GOVERNMENTAL ACTIVITIES JUNE 30, 2021

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

<b>Total Governmental Fund Balances</b>	\$ 340,036
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$421,086 and the accumulated depreciation is \$125,366.	<u>295,720</u>
<b>Net Position of Governmental Activities</b>	<u><u>\$ 635,756</u></u>

## OLD MISSION PENINSULA SCHOOL

### STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – ALL GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2021

	<u>General</u>	<u>Non-Major Special Revenue - Food Services</u>	<u>Total</u>
<b>Revenues</b>			
Local sources	\$ 153,946	\$ 34,379	\$ 188,325
State sources	1,431,646	-	1,431,646
Federal sources	579,616	-	579,616
	<u>2,165,208</u>	<u>34,379</u>	<u>2,199,587</u>
Total governmental fund revenues			
<b>Expenditures</b>			
Instruction			
Basic programs	1,150,974	-	1,150,974
Added needs	80,013	-	80,013
Support services			
Instructional staff support services	3,535	-	3,535
General administration	71,590	-	71,590
School administration	196,453	-	196,453
Business support services	36,476	-	36,476
Operations and maintenance	197,903	-	197,903
Central support services	42,839	-	42,839
Food services	-	60,881	60,881
Capital outlay	210,737	-	210,737
Debt principal and interest	10,882	-	10,882
	<u>2,001,402</u>	<u>60,881</u>	<u>2,062,283</u>
Total governmental fund expenditures			
Excess (deficiency) of revenues over expenditures	163,806	(26,502)	137,304
<b>Other Financing Sources (Uses)</b>			
Operating transfers in	-	26,502	26,502
Operating transfers out	(26,502)	-	(26,502)
	<u>(26,502)</u>	<u>26,502</u>	<u>-</u>
Total other financing sources (uses)			
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	137,304	-	137,304
Fund balance - July 1, 2020	<u>202,732</u>	<u>-</u>	<u>202,732</u>
Fund balance - June 30, 2021	<u>\$ 340,036</u>	<u>\$ -</u>	<u>\$ 340,036</u>

See accompanying notes to financial statements



## OLD MISSION PENINSULA SCHOOL

### RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2021

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

<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$	137,304
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation and amortization expense. This is the amount by which capital outlays exceeded depreciation and amortization in the current period

Capital outlay	\$	210,737	
Depreciation and amortization expense		<u>(99,282)</u>	<u>111,455</u>

<b>Change in Net Position of Governmental Activities</b>	<u>\$</u>	<u>248,759</u>
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# OLD MISSION PENINSULA SCHOOL

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Old Mission Peninsula School (the “Academy”) conform to generally accepted accounting principles applicable to public school academies. The following is a summary of the significant accounting policies:

#### **Reporting Entity**

Old Mission Peninsula School was formed as a public school academy pursuant to the Michigan School Code of 1976, as amended by Act No. 362 of the Public Acts of 1993 and Act No. 416 of the Public Acts of 1994. The Academy filed articles of incorporation as a nonprofit corporation pursuant to the provisions of the Michigan Nonprofit Corporation Act of 1982, as amended, on December 9, 2017, and began operation in July 2018.

In July 2018, the Academy entered into a seven-year contract with Grand Valley State University's Board of Trustees to charter a public school academy. The contract requires the Academy to act exclusively as a governmental agency and not undertake any action inconsistent with its status as an entity authorized to receive state school aid funds pursuant to the State constitution. The University's Board of Trustees is the fiscal agent for the Academy and is responsible for overseeing the Academy's compliance with the contract and all applicable laws. The Academy pays Grand Valley State University's Board of Trustees three percent of State aid as administrative fees. Total administrative fees paid for the year ended June 30, 2021 were approximately \$40,600.

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational or financial relationships with the public school academy. Based on application of criteria, the Academy does not contain component units.

#### **Fund Financial Statements**

Fund financial statements report detailed information about the Academy. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

#### **Basis of Presentation – Fund Accounting**

The accounts of the Academy are organized on the basis of funds. The operations of a fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenue and expenditures. Government resources are allocated to and accounted for in individual funds based on the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the combined financial statements in this report, into generic fund types in two broad fund categories.

#### **Governmental Funds**

A governmental fund is a fund through which most Academy functions typically are financed. The acquisition, use and balances of the Academy's expendable financial resources and the related current liabilities are accounted for through a governmental fund.

## OLD MISSION PENINSULA SCHOOL

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2021

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

**General Fund** - The general fund is used to record the general operations of the Academy pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved current operating budget.

**Special Revenue Fund (Food Services)**- The special revenue fund is used to account for the food service program operations. The special revenue fund is a subsidiary operation and is an obligation of the general fund. Therefore, any shortfall in the special revenue fund will be covered by an operating transfer from the general fund. The special revenue fund does not maintain its own assets and liabilities; accordingly, no balance sheet is presented for this fund.

Governmental and agency funds utilize the modified accrual basis of accounting. Modifications in such method from the accrual basis are as follows:

- a. Revenue that is both measurable and available for use to finance operations is recorded as revenue when earned. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Academy considers revenues to be available if they are collected within sixty days of the end of the current fiscal period.
- b. Payments for inventorial types of supplies, which are not significant at year end, are recorded as expenditures at the time of purchase.
- c. Principal and interest of general long-term debt are not recorded as expenditures until their due dates.
- d. The State of Michigan utilizes a foundation allowance funding approach, which provides for specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenue from state sources is primarily governed by the School Aid Act and the School Code of Michigan. The state portion of the foundation is provided from the State's School Aid Fund and is recognized as revenue in accordance with state law. A major portion of the Academy's revenue is derived from this state aid. As such, the Academy is considered to be economically dependent on this aid. The Academy's existence is dependent upon qualification for such aid.

### Government-Wide Financial Statements

The government-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This approach differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationships between the government-wide statements and the statements for governmental funds.

## **OLD MISSION PENINSULA SCHOOL**

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2021

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

The government-wide Statement of Activities presents a comparison between expenses and program revenues for each segment of the business-type activities of the Academy and for each governmental program. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. The Academy does not allocate indirect expenses to programs. In creating the government-wide financial statements the Academy has eliminated inter-fund transactions. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or function is self-financing or draws from the general revenues of the Academy. When both restricted and unrestricted resources are available for use, it is the Academy's policy to use restricted resources first.

Net position should be reported as restricted when constraints placed on net position's use is either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The Academy first utilizes restricted resources to finance qualifying activities.

#### **Cash and Cash Equivalents**

The Academy's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with maturities of three months or less from the date of acquisition. The Academy reports its investments in accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools and GASB No. 40, Deposit and Investment Risk Disclosures. Under these standards, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Academy intends to hold the investment until maturity. The Academy held no investments during the year ended June 30, 2021. State statutes authorize the Academy to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, saving accounts, deposit accounts, and or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Corporation or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The Academy is also authorized to invest in U.S. Government or Federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

#### **Receivables**

Receivables at June 30, 2021 consist primarily of state school aid due from the State of Michigan and the federal government. All receivables are expected to be fully collected in July and August of 2021 and are considered current for the purposes of these financial statements.

## **OLD MISSION PENINSULA SCHOOL**

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2021

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

#### **Prepaid Assets**

Payments made to vendors for services that will benefit periods beyond June 30, 2021, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

#### **Capital Assets and Depreciation**

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions or retirements during the year. The Academy follows the policy of not capitalizing assets with a useful life of less than one year. The Academy does not possess any infrastructure assets.

All reported capital assets, with the exception of land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Building and improvements	10 – 50 years
Furniture and equipment	5 – 15 years
Computers and software	3 – 10 years

#### **Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, the non-current portion of capital leases that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

#### **Net Position**

Net position represents the difference between assets, deferred outflows and liabilities and deferred inflows. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors or laws of regulations of other governments.

## OLD MISSION PENINSULA SCHOOL

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2021

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

#### Fund Equity

The Academy has adopted GASB 54 as part of its fiscal year reporting. The intention of the GASB is to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the Academy's financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on those resources.

GASB 54 provides for two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. This category typically includes prepaid items and inventories.

In addition to nonspendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints.

- a. *Restricted fund balance* – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- b. *Committed fund balance* – amounts constrained to specific purposes by the Board; to be reported as committed, amounts cannot be used for any other purpose unless the Board takes action to remove or change the constraint.
- c. *Assigned fund balance* – amounts the Board intends to use for a specific purpose; intent can be expressed by the Board or by an official or committee to which the Board delegates the authority.
- d. *Unassigned fund balance* – amounts that are available for any purpose; these amounts are reported only in the general fund.

The Academy follows the policy that restricted, committed, or assigned amounts will be considered to have been spent when an expenditure is incurred for purposes for which both unassigned and restricted, committed, or assigned fund balances are available. There are no governmental funds with a deficit.

#### Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

## **OLD MISSION PENINSULA SCHOOL**

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2021

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

#### **Upcoming Accounting Pronouncements**

In June 2017, the Governmental Accounting Standards Board issued GASB Statement No. 87, *Leases* which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based upon the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The Academy is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the Academy's financial statements for the year ending June 30, 2022.

### **NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Annual budgets are adopted on a consistent basis with accounting principles generally accepted in the United States of America and state law for the general fund. All annual appropriations lapse at fiscal year end and encumbrances are not formally recorded.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. State law requires the Academy to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. The Academy is required by law to adopt a general fund budget. During the year ended June 30, 2021 the budget was amended in a legally permissible manner. A comparison of budget to actual can be found on page 17 of these financial statements.

### **NOTE 3 - DEPOSITS AND INVESTMENTS**

#### **Interest Rate Risk**

In accordance with its investment policy, the Academy will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the Academy's cash requirements.

#### **Credit Risk**

State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). The Academy did not hold any investments during the year ended June 30, 2021.

## **OLD MISSION PENINSULA SCHOOL**

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2021

### **NOTE 3 - DEPOSITS AND INVESTMENTS - Continued**

#### **Concentration of Credit Risk**

The Academy will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Academy's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

#### **Custodial Credit Risk - Deposits**

In the case of deposits, this is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. As of June 30, 2021, all of the Academy's cash was fully covered by federal deposit insurance. All cash balances were uncollateralized as of June 30, 2021.

#### **Custodial Credit Risk - Investments**

For an investment, this is the risk that, in the event of the failure of the counterparty, the Academy will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The Academy will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the Academy will do business.

#### **Foreign Currency Risk**

The Academy is not authorized to invest in investments which have this type of risk.

#### **Fair Value**

Generally accepted accounting principles define fair value, establish a framework for measuring fair value, and establish a fair value hierarchy that prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Academy has the ability to access.
- b. Level 2 inputs are inputs (other than quoted prices included within Level 1) that are observable for the asset or liability, either directly or indirectly.



## OLD MISSION PENINSULA SCHOOL

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2021

### NOTE 3 - DEPOSITS AND INVESTMENTS - Continued

- c. Level 3 are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability. (The observable inputs should be developed based on the best information available in the circumstances and may include the Academy's own data.)

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

### NOTE 4 - DUE FROM OTHER GOVERNMENTAL UNITS

Amounts due from other governmental units consist of the following:

State sources	\$	271,160
Federal sources		<u>75,180</u>
Total	\$	<u><u>346,340</u></u>

### NOTE 5 - CAPITAL ASSETS AND DEPRECIATION

Capital asset activity of the Academy's governmental activities was as follows:

	<u>Balance</u> <u>July 1, 2020</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2021</u>
Capital assets subject to depreciation				
Improvements	\$ 42,511	\$ -	\$ -	\$ 42,511
Equipment	49,992	57,328	-	107,320
Computers	<u>117,846</u>	<u>153,409</u>	-	<u>271,255</u>
Sub-total	210,349	210,737	-	421,086
Accumulated depreciation				
Improvements	4,819	6,073	-	10,892
Equipment	9,785	12,450	-	22,235
Computers	<u>11,480</u>	<u>80,759</u>	-	<u>92,239</u>
Sub-total	<u>26,084</u>	<u>99,282</u>	-	<u>125,366</u>
Total net capital assets	<u>\$ 184,265</u>	<u>\$ 111,455</u>	<u>\$ -</u>	<u>\$ 295,720</u>

Depreciation and amortization expense was not charged to activities as the Academy considers its assets to impact multiple activities and allocation is not practical.

**OLD MISSION PENINSULA SCHOOL**

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2021

**NOTE 6 – NOTES PAYABLE**

**Loan Information**

	<b>Interest Rate</b>	<b>Maturity Date</b>	<b>Other</b>
SAAN 20/21	3.50%	August 2021	Issued to provide funds to Academy to finance school operations; secured by future state aid payments

**Loan Activity**

	<b>Balance July 1, 2020</b>	<b>Additions</b>	<b>Retirements and Payments</b>	<b>Balance June 30, 2021</b>
SAAN 20/21	\$ -	\$ 200,000	\$ 163,153	\$ 36,847

**NOTE 7 – OTHER ACCRUED EXPENSES**

Other accrued expenses may be summarized as follows:

Purchased services - payroll and benefits	\$ 107,424
Oversight fee	7,379
Other	2,104
Total other accrued expenses	<u>\$ 116,907</u>

## OLD MISSION PENINSULA SCHOOL

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2021

### NOTE 8 – OPERATING LEASES

#### Lease Information

	<u>Maturity Date</u>	<u>Approximate Payment</u>	<u>Other</u>
Facilities	June 30, 2025	Varies	Lease extended through June 2025 with graduated payments for each year based on per pupil foundation allowance

The approximate amount of lease obligations coming due during the next four years is as follows:

	<u>Facilities</u>
2022	\$ 27,300
2023	37,500
2024	47,800
2025	58,000

Total lease expense included in the statement of activities for the year ended June 30, 2021 amounted to \$9,000.

### NOTE 9 - RISK MANAGEMENT

The Academy is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (worker's compensation), as well as medical benefits provided to employees. The Academy has purchased commercial insurance for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage since inception.

### NOTE 10 - CONTINGENCIES

The COVID-19 pandemic that the world is experiencing is unprecedented. It is nearly impossible to fully anticipate the long term effects the impact it will have on the economy and the Academy's operations. As of the date of these financial statements, the Academy continues to evaluate and implement risk mitigation tactics including all aspects of the Academy's activities related to public school education, relationships with local, state, and federal government funding sources, compliance with the requirements of these funding sources and with business transactions with customers, vendors and human interaction within and outside of the Academy.

# SUPPLEMENTARY INFORMATION

## OLD MISSION PENINSULA SCHOOL

### REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Revenues</b>				
Local sources	\$ 92,237	\$ 144,989	\$ 153,946	\$ 8,957
State sources	1,149,520	1,433,781	1,431,646	(2,135)
Federal sources	315,921	581,254	579,616	(1,638)
Total general fund revenues	<u>1,557,678</u>	<u>2,160,024</u>	<u>2,165,208</u>	<u>5,184</u>
<b>Expenditures</b>				
Instruction				
Basic programs	762,463	1,139,413	1,150,974	11,561
Added needs	99,721	114,774	80,013	(34,761)
Support services				
Instructional staff support services	143,695	3,535	3,535	-
General administration	58,566	73,786	71,590	(2,196)
School administration	171,050	206,949	196,453	(10,496)
Business support services	34,537	36,297	36,476	179
Operations and maintenance	176,036	195,638	197,903	2,265
Central support services	71,074	38,565	42,839	4,274
Capital outlay	11,500	211,772	210,737	(1,035)
Debt principal and interest	11,500	7,100	10,882	3,782
Total general fund expenditures	<u>1,540,142</u>	<u>2,027,829</u>	<u>2,001,402</u>	<u>(26,427)</u>
Excess (deficiency) of revenues over expenditures	17,536	132,195	163,806	31,611
<b>Other Financing Sources (Uses)</b>				
Operating transfers out	<u>(17,500)</u>	<u>(18,091)</u>	<u>(26,502)</u>	<u>(8,411)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	36	114,104	137,304	23,200
Fund balance - July 1, 2020	<u>202,732</u>	<u>202,732</u>	<u>202,732</u>	<u>-</u>
Fund balance - June 30, 2021	<u>\$ 202,768</u>	<u>\$ 316,836</u>	<u>\$ 340,036</u>	<u>\$ 23,200</u>

## OLD MISSION PENINSULA SCHOOL

### SCHEDULE OF REVENUES – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2021

#### Local Sources

Earnings on investments	\$	23
Student activities		1,024
Other local revenues		<u>152,899</u>
Total local sources		153,946

#### State Sources

At risk		24,499
Special education		47,444
State aid		<u>1,359,703</u>
Total state sources		1,431,646

#### Federal Sources

Title I		8,495
Title II A		3,355
Other program revenue		<u>567,766</u>
Total federal sources		<u>579,616</u>
Total general fund revenues	\$	<u><u>2,165,208</u></u>

## OLD MISSION PENINSULA SCHOOL

### SCHEDULE OF EXPENDITURES – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2021

#### Basic Programs

Purchased services	\$ 870,660
Supplies and materials	276,879
Non-depreciable capital assets	240
Other expenditures	<u>3,195</u>
Total basic programs	1,150,974

#### Added Needs

Purchased services	80,004
Other expenditures	<u>9</u>
Total added needs	80,013

#### Instructional Staff Support Services

Purchased services	3,535
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#### General Administration

Purchased services	8,500
University oversight	40,564
Other expenditures	<u>22,526</u>
Total general administration	71,590

#### School Administration

Purchased services	182,320
Supplies and materials	4,404
Non-depreciable capital assets	155
Other expenditures	<u>9,574</u>
Total school administration	196,453

#### Business Support Services

Purchased services	36,476
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**OLD MISSION PENINSULA SCHOOL**

SCHEDULE OF EXPENDITURES – GENERAL FUND - CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2021

**Operations and Maintenance**

Purchased services	101,230
Repairs and maintenance	38,211
Supplies and materials	57,736
Non-depreciable capital assets	<u>726</u>

Total operations and maintenance 197,903

**Central Support Services**

Purchased services	36,422
Supplies and materials	5,937
Other expenditures	<u>480</u>

Total central support services 42,839

**Capital Outlay**

210,737

**Debt Principal and Interest**

10,882

Total general fund expenditures \$ 2,001,402