

Audited Financial Statements

Great Lakes Academy

Pontiac, Michigan

June 30, 2019

CONTENTS

	<u>Page</u>
Independent Auditor’s Report	i – ii
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 <i>Government Auditing Standards</i>	iii - iv
Management’s Discussion and Analysis	v - xv
Basic Financial Statements	
Statement of Net Position	1
Statement of Activities	2
Combined Balance Sheet – All Governmental Funds	3
Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities	4
Statement of Revenues, Expenditures and Changes in Fund Balance – All Governmental Funds	5
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities	6
Statement of Fiduciary Net Position	7
Notes to Financial Statements	8 - 18
Supplementary Information	
Budgetary Comparison Schedule – General Fund	19
Schedule of Revenues – General Fund	20
Schedule of Expenditures – General Fund	21 - 22



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Great Lakes Academy

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Great Lakes Academy as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Great Lakes 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.

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 the Great Lakes Academy, as of June 30, 2019, 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 the Great Lakes Academy's basic financial statements. The combining and individual nonmajor fund financial statements, and schedules of revenues and expenditures, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, and schedules of revenues and expenditures, are the responsibility of management and were derived from and relate 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 combining and individual nonmajor fund financial statements, and 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 25, 2019, on our consideration of the Great Lakes Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Great Lakes Academy's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Great Lakes Academy's internal control over financial reporting and compliance.



Croskey Lanni, PC

Rochester, Michigan
October 25, 2019



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 Great Lakes Academy**

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 Great Lakes Academy, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Great Lakes Academy's basic financial statements, and have issued our report thereon dated October 25, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Great Lakes 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 Great Lakes Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of Great Lakes Academy's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 Great Lakes Academy's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Croskey Lanni, PC

Rochester, Michigan
October 25, 2019

GREAT LAKES ACADEMY

Management's Discussion and Analysis For the Year Ended June 30, 2019

Located in Pontiac, Michigan, Great Lakes Academy is a K-8 public school academy with a strong focus on character development and academic achievement. This section of Great Lakes Academy's annual financial report presents Great Lakes' management's discussion and analysis of the academy's financial performance for the year ending June 30, 2019. Please read this analysis in conjunction with the statements, notes, supplementary information and schedules that follow this section.

Financial Highlights

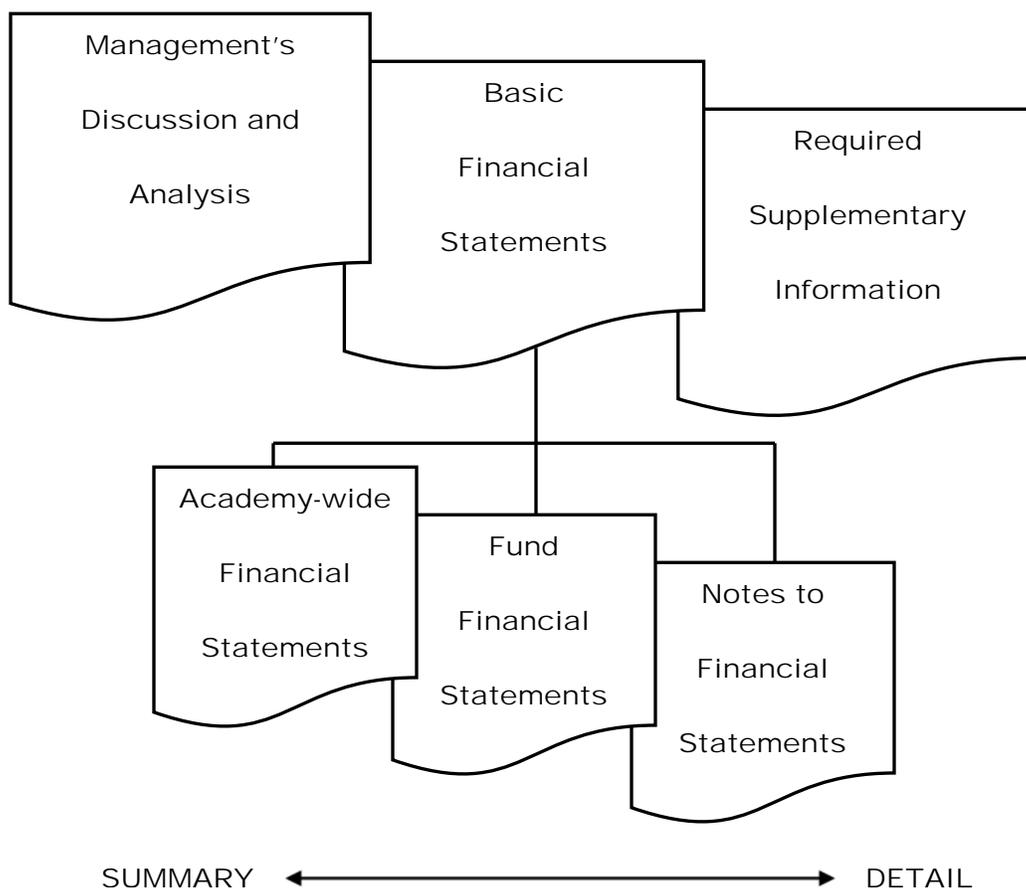
- ◆ Blended student enrollment decreased from the previous year by 17% (28.33); 182.52 (2018) to 154.19 (2019).
- ◆ A combination of foundation allowance, 21h Partnership District funding, and Regional Assistance Grant funding in 2018-19 resulted in a slight increase in state revenue over the previous year.
- ◆ Total revenue increased by approximately 3.59% (\$70,150) from the previous year. Also, per student revenue increased by 24.64% (\$2,596.19).
- ◆ Total expenditures in 2019 increased by 21.8% (\$389,758) over the previous year.
- ◆ Total instructional expenditures, per student, increased from previous year by 52.65% (\$2,567); (\$7,443) from (\$4,876).
- ◆ Total support services expenditures, per student, increased from previous year by 61 %(\$2,350); (\$6,205) from (\$3,855).
- ◆ The academy paid off its mortgage loan with Comerica bank in 2019.
- ◆ The academy's change in net position is a decrease of \$198,908 as the expenses exceeded the revenue in this fiscal year.
- ◆ The academy continues to have a positive fund balance of \$469,356.

Overview of the Academy's Annual Financial Report

This annual report is intended to answer questions its readers might have regarding Great Lakes Academy's financial position and results of operations. The reader will find within this report the answers to questions such as: What is the school's current financial condition? To what extent does it use long term assets to support its operations, and how are these assets financed? What are its long-range obligations? What were its sources of funding? How did it use its financial resources to support its educational mission? Did its overall financial position improve or decline over the past year, and why? The reader should read this report and always be mindful that the Academy's primary purpose is to use its resources to the best of its ability to provide quality services to its students, not to make a profit.

There are three parts (Table 1) to this annual report: **Management's Discussion and Analysis** presents the reader with school administration's perspective and insight into the academy's financial position and results of operations for the year just ended, along with comparative information to the prior year. The **Basic Financial Statements** are the numerical representation of the academy's results of operations and financial

Table 1



position. The **Required Supplementary Information** adds further detail and clarification to the Basic Financial Statements.

The Academy's Basic Financial Statements

Components of the Basic Financial Statements (Table 1):

Academy-wide Financial Statements are the broadest in scope, and present the reader with financial information on a full accrual basis in very similar fashion to the financial statements of a private sector company. Transactions are recorded when resources are earned or used regardless of when cash is received or disbursed. They present both short term and long-term information for the Academy as a single unit. The reader may view a snapshot of the Academy's overall general financial health by examining the statement of net position. The statement of activities reflects whether the Academy's overall financial health has improved or declined over the past year, and demonstrates how the Academy allocated its resources to the services it provided.

Fund financial statements are narrower in their scope, but can more clearly present the academy's compliance with laws, regulations, and any restrictions that may be placed upon the use of its financial resources. Individual funds are used to demonstrate the Academy's major educational activities or smaller activities for which individual information is desired or required. Major funds are presented individually, while non-major funds are presented in aggregate. Fund financial statements use the modified accrual method of accounting: only liabilities of the current year, and resources available to fund those liabilities are recorded. The fund financial statements allow the reader to see how available resources were used to support the Academy's mission in the current year. Increases or decreases in the fund balances give the reader insight into whether sufficient funding was received in the current year to support the Academy's cost of operations in the current year.

A **Fiduciary statement of net position** or a **Fiduciary fund** allows the reader to review information for the academy's financial relationship/s in which the academy acts solely as custodian of another organization's resources. Here, the academy records no revenues or expenditures. Only the balance of funds that the academy holds in custody for those organizations is recorded.

The **Notes** to the financial statements add insight by explaining the accounting policies of the Academy, as well as providing additional detail to certain information presented within the statements.

The Academy's Overall Financial Position and Results of Operations

The statement of net position provides a snapshot of the Academy's overall financial position. The Academy's net position at June 30, 2019 was \$2,241,330. Unrestricted net position of \$469,356 is the cumulative result of the academy's operations for all years since its inception. This represents the resources that the Academy has at the statement date to finance its governmental activities, meet its cash flow needs, and provide for any future uncertainties. Capital assets, net of related debt, represent those resources which are more permanent in nature, and generally not readily converted to cash, such as land, building, and equipment. The Academy's \$1,771,974 of capital assets, net of related debt, compares the original cost of the assets, less accumulated

GREAT LAKES ACADEMY

Management's Discussion and Analysis For the Year Ended June 30, 2019

depreciation, to the long-term debt used to finance their acquisition. Because the Academy has no taxing authority, the debt will be repaid from the basic per pupil foundation allowance received from the state, other fundraising efforts undertaken by the Academy, or gifts to the Academy. The Academy's overall financial position remains stable, despite a small decrease over the prior year. (Table 2)

Table 2		Government Activities		
		(In thousands)		
Assets		Year ended 2019	Year ended 2018	Change Better/(Worse)
		Current and other assets	\$ 633.9	\$ 667.8
	Capital assets	1,791.9	1,899.0	(107.1)
	Total assets	2,425.8	2,566.8	(141.0)
Liabilities				
	Current liabilities	173.0	72.3	(100.7)
	Long-term liabilities	11.4	54.3	42.9
	Total liabilities	184.4	126.6	(57.8)
Net Position				
	Invested in capital assets-Net of related debt	1,771.9	1,844.7	(72.8)
	Restricted Net Position	-	-	-
	Unrestricted Net Position	469.4	595.5	(126.1)
	Total net position	\$ 2,241.3	\$ 2,440.2	\$ (198.9)

The statement of activities provides a snapshot of the results of operations for the school district. Table 3 provides a summary view of the change in net position for the year just ended, 2019, and comparative data from the prior year, 2018.

Management's Discussion and Analysis
For the Year Ended June 30, 2019

Table 3		Government Activities (In thousands)		
		Year ended 2019	Year ended 2018	Change Better/(Worse)
Revenue				
Program revenue:				
	Charges for services	\$ -	\$ -	\$ -
	Operating grants/contributions	610.3	505.8	104.5
General revenue:				
	State foundation allowance	1,386.7	1,415.1	(28.3)
	Other	28.1	33.0	(4.9)
Total revenue		2,025.1	1,953.9	71.3
Function/Program Expenses				
	Instruction	\$ 938.9	\$ 721.8	(217.1)
	Support services	1159.0	897.0	(262.0)
	Community services	6.4	1.0	(5.4)
	Food services	-	-	-
	Athletics	-	-	-
	Interest on long-term debt	3.0	5.1	2.1
	Depreciation (unallocated)	116.7	115.2	(1.5)
Total expenses		2,224.0	1,740.1	(483.9)
Increase/(Decrease) in Net Position		\$ (198.9)	\$ 213.8	\$ (412.6)

As seen in table 3 above, the total cost of the Academy's governmental activities for 2019 was \$2,224,046. Grants and contributions in the amount of \$610,342 contribute to the Academy's funding. However, the primary funding source of the Academy's activities, debt service, and capital expenses is its state foundation funding, \$1,386,675 (Chart 1). Other miscellaneous funding sources, such as interest, rebates and rental income also helped fund the Academy's governmental activities, \$28,121.

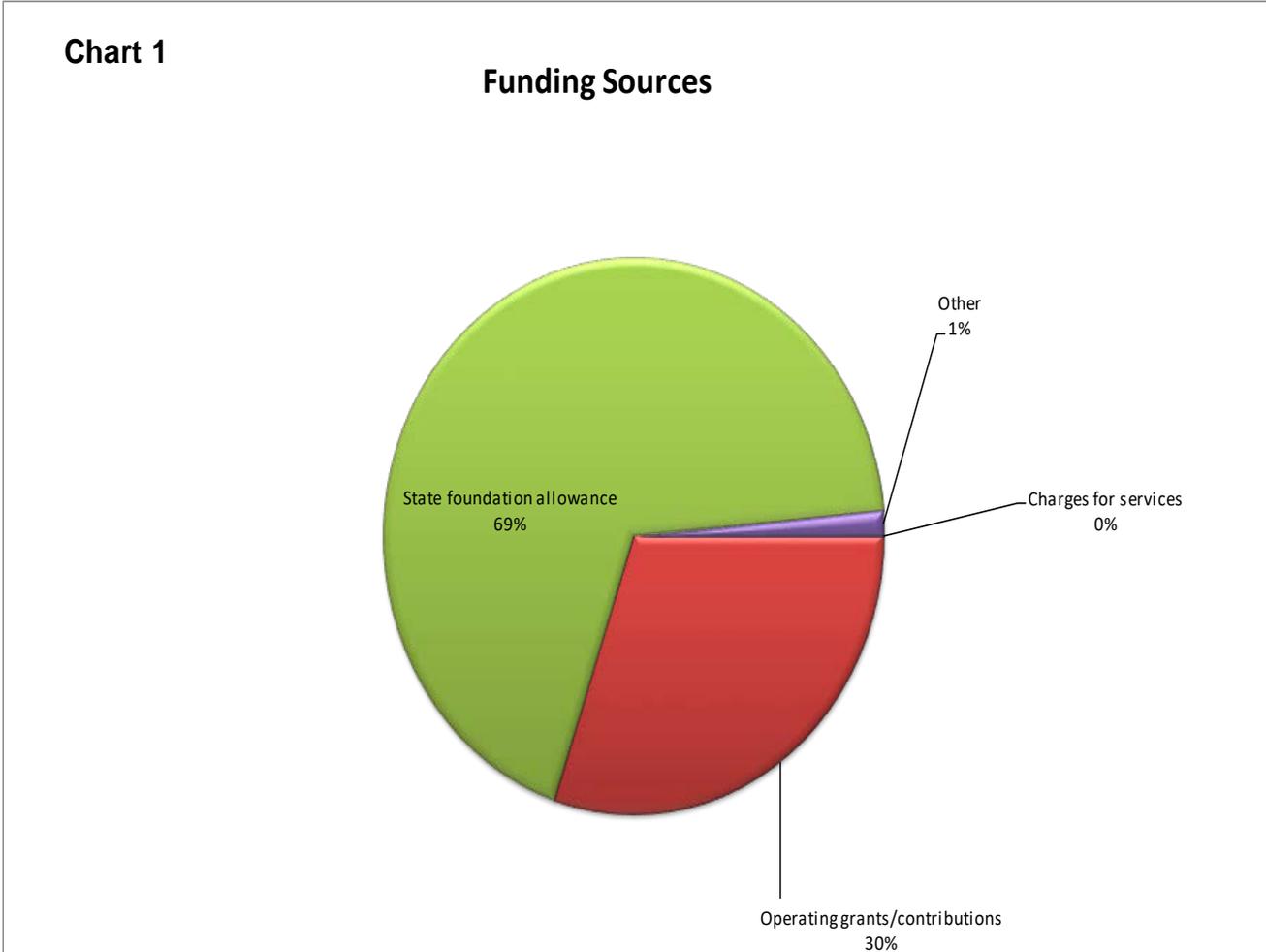
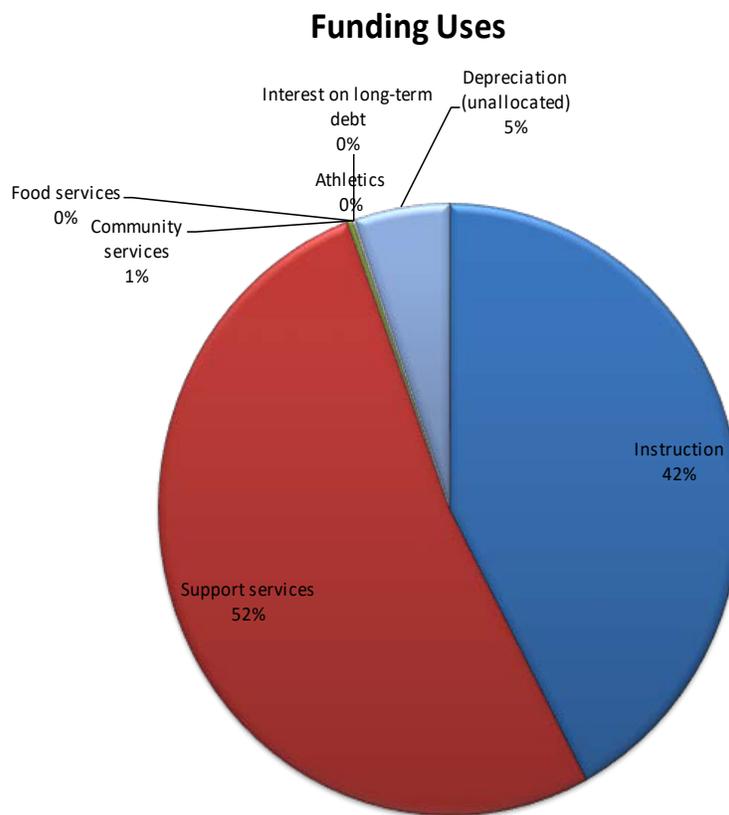


Table 3 and Chart 2 demonstrate the Academy's financial burden, and how resources were allocated to meet that burden. The Academy's Board and Administration work together to ensure the Academy's limited resources are allocated as efficiently and effectively as possible to benefit the Academy's students.

Chart 2



The Academy's Funds

As noted earlier, the Academy's funds are the means that the Academy's board and administration monitor the Academy's business in the current year. Budgets and appropriations are approved each year for the general and school services funds. Looking at funds adds clarity to how the Academy met its fiscal responsibilities for the current year, and shows how the academy used its funding, in accordance with any associated legal or contractual requirements.

The general fund is the principal operating fund of the Academy. This is the fund that all activities related to the operation of the Academy are recorded, except those activities required by law to be entered in other funds. This year the general fund balance decreased by \$126,115.

The Academy is the fiscal agent for several student groups. The Academy's fiscal relationship with these groups is custodial in nature. The Academy receives and disburses money on behalf of these groups, but does not record revenue or expense because these activities are not operating activities of the Academy. There is, therefore, no equity, or fund balance, in this fund, but rather a liability to the groups for which the academy holds the money.

The Academy's General Fund Budgetary Highlights

As noted earlier, the general fund is the fund that the Academy's activities related to the operation of the Academy are recorded, except those activities required by law to be entered in other funds. The Academy revises its general fund budget through the course of the year to accommodate new or unexpected fiscal developments. State law requires that the Academy may not overspend its budgeted appropriations. This dictates that if the Academy realizes it has not appropriated enough to meet its needs, it must amend its budget. The required supplemental information of this financial report includes a schedule showing the Academy's initial budget, final budget, and actual expenditure comparisons.

Significant differences between the original and final budget were due to:

- ◆ Local revenue sources included the known amount (\$90,538) for ISD Collected Millage. Actual amount received was (\$130,816). From original to final budget, an increase was made to account for anticipated receipts for insurance rebates and unclaimed property refunds.
- ◆ State revenue sources were reduced due to a reduction in the projected student blended count vs. the actual count. However, additional support via the 21h Partnership District Funding & Regional Assistance Grant, significantly limited the impact.
- ◆ Federal revenue sources increased due to carryover balances of existing grants and the identification of additional relevant grant opportunities.

Significant differences between the final budget and actual expenditures were due to:

- ◆ Increase in staff costs, namely, wages & benefits. This year's talent market was extremely tight and in order to be competitive we found it necessary to adjustment our salary & benefit offerings.
- ◆ Increase in instructional staff supports. For 80% of the staff, 2018-19 was their first year at GLA as well as their first year teaching and we wanted to make sure they had the professional development and supports needed to be successful.

- ◆ Decrease in pupil transportation cost, due to funding source change; which limited resources for this purpose.
- ◆ Increase in operating expenses primarily due to increase cost of contracted cleaning services, upon completion of RFP process. Increase also the result of having to address unanticipated building and equipment needs.
- ◆ Increase in community services due to a funding source that provided us with this opportunity.
- ◆ Decrease in principal and interest costs in anticipation of the debt being paid off.

The Academy's Capital Asset and Long-Term Debt Activity

At June 30, 2019, the closing date for these financial statements, the Academy had \$1,791,918 invested in fixed assets, after depreciation (Table 4). More detailed information about fixed assets may be found in the notes to these financial statements.

Table 4		Government Activities		
		(In thousands)		
Capital Assets, net of depreciation		Year ended 2019	Year ended 2018	Change Increase/(Decrease)
	Land	\$ 16.0	\$ 16.0	\$ -
	Construction in Progress			-
	Buildings and/or Building Improvements	1,750.8	1,855.8	(105.0)
	Furniture and Equipment	25.1	27.2	(2.1)
	Total Capital Assets	\$ 1,791.9	\$ 1,899.0	\$ (107.1)

At June 30, 2019, the Academy had \$19,944 outstanding in long-term debt (Table 5) arising from equipment financing. More detailed information about long-term liabilities may be found in the notes to these financial statements.

Table 5		Government Activities (In thousands)		
Long-term Debt		Year ended 2019	Year ended 2018	Change Increase/(Decrease)
	Mortgage on Facility	\$ -	\$ 43.4	\$ (43.4)
	Capital Leases	19.9	10.9	9.0
	Total Long-term Debt	\$ 19.9	\$ 54.3	\$ (34.4)

The Academy’s Fiscal Future

Factors and conditions expected to have a significant financial impact on the Academy’s future include:

Great Lakes Academy is in the second year of a three year Partnership District Agreement with the State of Michigan Department of Education (MDE) that is designed to achieve superior academic performance for its students. This partnership has resulted in additional funding via the MDE 21h Partnership District Funding and the ISD Regional Assistance Grant that has gone a long way in helping us to reach our goals.

As a strategy to meet established partnership goals and benchmarks, Mr. Yaccick, the principal, has introduced comprehensive instructional reform strategies that incorporates research based curriculum and training for all teachers and students. These reforms have had a positive impact on the overall culture within the school amongst staff and students. Additionally, we have seen an increase in the number of students meeting growth targets in both reading and math.

We are approaching the 18-month benchmark review of previously established goals and we are confident that we are on-track to meet all process, outcome, and State level assessment benchmarks.

Great Lakes Academy has submitted a financial support request to both MDE and the ISD for the school year 2019-20, which will enable us to continue implementing reforms that will help us meet our goals.

The Academy will continue its “boots on the grounds” outreach and marketing campaign that involves a task force of staff, parents and students that are involved in door to door campaigning, involving direct contact with households within a five-mile radius of the school, community service projects, and participation in local community events.

GREAT LAKES ACADEMY

Management's Discussion and Analysis For the Year Ended June 30, 2019

The Academy will continue its agreement with Oakland Living Human Services Agency (OLHSA) to house three pre-K classrooms within the building; serving as a direct feed to Great Lakes' kindergarten population, in addition to siblings in grades 1-8.

Great Lakes Academy has a strong commitment to providing a high-quality education, and the ability to deliver it, in a safe and nurturing environment. The Academy understands that it must increase its academic performance, student retention, and student enrollment to maintain a strong financial future for the school. As a result, the academy will continue to evaluate and align resources to support academic performance that is consistent with the goals and outcomes set forth in its Partnership Agreement with MDE.

Contacting the Academy

This financial report is designed to provide the Academy's stakeholders 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 financial information, please contact the business manager at 46312 Woodward Avenue, Pontiac, Michigan 48342 or telephone 248-334-6434.

GREAT LAKES ACADEMY

STATEMENT OF NET POSITION JUNE 30, 2019

ASSETS AND DEFERRED OUTFLOWS

Current Assets

Cash and cash equivalents	\$ 298,064
Due from other governmental units	327,047
Prepaid expenses	<u>8,763</u>
Total current assets	633,874

Capital Assets - Net of Accumulated Depreciation

1,791,918

Total assets and deferred outflows \$ 2,425,792

LIABILITIES, DEFERRED INFLOWS AND NET POSITION

Current Liabilities

Accounts payable	\$ 21,174
Notes payable	8,560
Unearned revenue	25,481
Other accrued expenses	109,303
Long-term debt - current portion	<u>8,500</u>
Total current liabilities	173,018

Long-Term Debt - Long-Term Portion

11,444

Net Position

Net investment in capital assets	1,771,974
Unrestricted	<u>469,356</u>
Total net position	<u>2,241,330</u>
Total liabilities, deferred inflows and net position	<u>\$ 2,425,792</u>

See accompanying notes to financial statements

GREAT LAKES ACADEMY

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2019

		Program Revenues		Net (Expense) Revenues and Changes in Net Position
	Expenses	Charges for Services	Operating Grants	Government Type Activities
Functions				
Instruction				
Basic programs	\$ 718,105	\$ -	\$ 440,433	\$ (277,672)
Added needs	220,842	-	153,666	(67,176)
Support services				
Pupil support services	81,029	-	16,243	(64,786)
Instructional staff support services	127,628	-	-	(127,628)
General administration	152,233	-	-	(152,233)
School administration	380,079	-	-	(380,079)
Business support services	2,553	-	-	(2,553)
Operations and maintenance	381,841	-	-	(381,841)
Pupil transportation services	1,740	-	-	(1,740)
Central support services	31,859	-	-	(31,859)
Community services	6,409	-	-	(6,409)
Unallocated depreciation	116,698	-	-	(116,698)
Unallocated interest	3,030	-	-	(3,030)
Total primary government	\$ 2,224,046	\$ -	\$ 610,342	(1,613,704)
General Purpose Revenues				
State school aid - unrestricted				1,386,675
Miscellaneous revenues				28,121
Total general purpose revenues				1,414,796
Change in net position				(198,908)
Net position - July 1, 2018				2,440,238
Net position - June 30, 2019				\$ 2,241,330

See accompanying notes to financial statements

GREAT LAKES ACADEMY

COMBINED BALANCE SHEET – ALL GOVERNMENTAL FUNDS JUNE 30, 2019

ASSETS

Cash and cash equivalents	\$	298,064
Due from other governmental units		327,047
Prepaid expenses		<u>8,763</u>
Total assets	\$	<u><u>633,874</u></u>

LIABILITIES AND FUND BALANCE

Liabilities

Accounts payable	\$	21,174
Notes payable		8,560
Unearned revenue		25,481
Other accrued expenses		<u>109,303</u>
Total liabilities		164,518

Fund Balance

Nonspendable		8,763
Assigned		140,010
Unassigned		<u>320,583</u>
Total fund balance		<u>469,356</u>
Total liabilities and fund balance	\$	<u><u>633,874</u></u>

See accompanying notes to financial statements

GREAT LAKES ACADEMY

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET POSITION OF GOVERNMENTAL ACTIVITIES JUNE 30, 2019

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

Total Governmental Fund Balances	\$ 469,356
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$4,127,908 and the accumulated depreciation is \$2,335,990.	1,791,918
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(19,944)</u>
Net Position of Governmental Activities	<u><u>\$ 2,241,330</u></u>

See accompanying notes to financial statements

GREAT LAKES ACADEMY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – ALL GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2019

Revenues

Local sources	\$ 28,121
State sources	1,632,388
Federal sources	233,813
Interdistrict sources	<u>130,816</u>
Total governmental fund revenues	2,025,138

Expenditures

Instruction	
Basic programs	718,105
Added needs	220,842
Support services	
Pupil support services	81,029
Instructional staff support services	127,628
General administration	152,233
School administration	380,079
Business support services	2,553
Operations and maintenance	381,841
Pupil transportation services	1,740
Central support services	31,859
Community services	6,409
Capital outlay	9,592
Debt principal and interest	<u>63,852</u>
Total governmental fund expenditures	<u>2,177,762</u>

Excess (deficiency) of revenues over expenditures (152,624)

Other Financing Sources (Uses)

Proceeds from long-term debt	<u>26,509</u>
------------------------------	---------------

Excess (deficiency) of revenues and other financing sources over expenditures and other uses (126,115)

Fund balance - July 1, 2018 595,471

Fund balance - June 30, 2019 \$ 469,356

See accompanying notes to financial statements

GREAT LAKES ACADEMY

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, 2019

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

Net Change in Fund Balances - Total Governmental Funds	\$	(126,115)
---	----	-----------

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	\$ 9,592	
Depreciation and amortization expense	<u>(116,698)</u>	(107,106)

The governmental funds report loan proceeds as an other financing source, while repayment of loan principal is reported as an expenditure. Interest is recognized as an expenditure in the governmental funds when it is due. The net effect of these differences in the treatment of general loan obligations is as follows:

Proceeds from long-term debt	\$ (26,509)	
Repayment of loan principal	<u>60,822</u>	<u>34,313</u>

Change in Net Position of Governmental Activities	\$	<u><u>(198,908)</u></u>
--	----	-------------------------

GREAT LAKES ACADEMY

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2019

ASSETS

Cash and cash equivalents	<u>\$ 2,327</u>
Total assets	<u><u>\$ 2,327</u></u>

LIABILITIES

Due to student groups	<u>\$ 2,327</u>
Total liabilities	<u><u>\$ 2,327</u></u>

GREAT LAKES ACADEMY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Great Lakes Academy (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

Great Lakes Academy 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 April 16, 1997, and began operation in July 1997.

In June 2017, the Academy entered into a three-year contract with the Eastern Michigan University Board of Regents 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 Regents 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 the Eastern Michigan University Board of Regents three percent of state aid as administrative fees. Total administrative fees paid for the year ended June 30, 2019 were approximately \$36,000.

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.

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.

GREAT LAKES ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2019

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 - The special revenue fund, which the Academy currently does not maintain, 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.

Debt Service Fund - The debt service fund, which the Academy currently does not maintain, is used to record certain revenue and the payment of interest, principal and other expenditures on long-term debt.

Capital Projects Fund - The capital projects fund, which the Academy currently does not maintain, accounts for financial resources to be used for the acquisition, construction, or improvement of capital facilities.

Fiduciary Fund - The fiduciary fund is used to account for assets held by the Academy in a trustee capacity or as an agent. The agency fund is custodial in nature and does not involve the measurement of results of operations.

Activity (Agency) Fund - The Academy presently maintains an activity fund to record the transactions of a student group for school and school-related purposes. The fund is segregated and held in trust for the students.

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 inventorable 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.

GREAT LAKES ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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.

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 are 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.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government - wide financial statements.

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, 2019. 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

GREAT LAKES ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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, 2019 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 2019 and are considered current for the purposes of these financial statements.

Prepaid Assets

Payments made to vendors for services that will benefit periods beyond June 30, 2019, 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.

GREAT LAKES ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

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.

GREAT LAKES ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

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 general and revenue fund budgets. During the year ended June 30, 2019 the budget was amended in a legally permissible manner. The Academy incurred expenditures in certain budgetary functions in excess of the amounts appropriated for the year ended June 30, 2019 as detailed on page 19 of these financial statements however total expenditures were less than total appropriations.

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). As of June 30, 2019, the Academy held no investments.

GREAT LAKES ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2019

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, 2019, \$52,712 of the Academy's cash was exposed to custodial credit risk because it was uninsured. All cash balances were uncollateralized as of June 30, 2019.

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.

GREAT LAKES ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2019

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	\$	260,057
Federal sources		<u>66,990</u>
Total	\$	<u><u>327,047</u></u>

NOTE 5 - CAPITAL ASSETS

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

	<u>Balance</u> <u>July 1, 2018</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2019</u>
Capital assets not subject to depreciation				
Land	\$ 16,000	\$ -	\$ -	\$ 16,000
Capital assets subject to depreciation				
Building	3,070,220	-	-	3,070,220
Equipment	761,042	-	-	761,042
Computer	<u>271,054</u>	<u>9,592</u>	<u>-</u>	<u>280,646</u>
Sub-total	4,118,316	9,592	-	4,127,908
Accumulated depreciation				
Building	1,214,362	104,992	-	1,319,354
Equipment	752,538	7,477	-	760,015
Computer	<u>252,392</u>	<u>4,229</u>	<u>-</u>	<u>256,621</u>
Sub-total	<u>2,219,292</u>	<u>116,698</u>	<u>-</u>	<u>2,335,990</u>
Total net capital assets	<u><u>\$ 1,899,024</u></u>	<u><u>\$ (107,106)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,791,918</u></u>

GREAT LAKES ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 5 - CAPITAL ASSETS - Continued

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

NOTE 6 – NOTES PAYABLE

Notes payable as of June 30, 2019 can be summarized as follows:

Loan Information

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Other</u>
SAAN 17/18	3.75%	August, 2018	Paid in full
SAAN 18/19	5.30%	August, 2019	Issued to provide funds to Academy to finance school operations; Secured by future state aid payments

Loan Activity

	<u>Balance July 01, 2018</u>	<u>Additions</u>	<u>Retirements and Payments</u>	<u>Balance June 30, 2019</u>
SAAN 17/18	\$ 10,043	\$ -	\$ 10,043	\$ -
SAAN 18/19	-	48,000	39,440	8,560
	<u>\$ 10,043</u>	<u>\$ 48,000</u>	<u>\$ 49,483</u>	<u>\$ 8,560</u>

NOTE 7 – OTHER ACCRUED EXPENSES

Other accrued expenses are summarized as follows:

Purchased services - payroll and benefits	\$ 98,755
Other accrued expenses	4,001
University oversight fee	<u>6,547</u>
Total other accrued expenses	<u>\$ 109,303</u>

GREAT LAKES ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 8 - LONG-TERM OBLIGATIONS PAYABLE

Long-term obligations as of June 30, 2019 can be summarized as follows:

Loan Information

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Other</u>
Building loan	5.65%	January 2019	Payable \$8,822 monthly. Secured by building. Paid in full.
Equipment Finance 1	0.00%	May 2019	Issued to provide funds to Academy to finance school operations; Secured by future lighting lease payments. Paid in full.
Equipment Finance 2	13.27%	September 2021	Payable \$887 monthly including taxes and management fees. Secured by equipment.

Loan Activity

	<u>Balance July 1, 2018</u>	<u>Additions</u>	<u>Retirements and Payments</u>	<u>Balance June 30, 2019</u>	<u>Due Within One Year</u>
Building loan	\$ 43,379	\$ -	\$ 43,379	\$ -	\$ -
Equipment Finance 1	10,878	-	10,878	-	-
Equipment Finance 2	-	26,509	6,565	19,944	8,500
Total	\$ 54,257	\$ 26,509	\$ 60,822	\$ 19,944	\$ 8,500

Following are maturities of long-term obligations for principal and interest for the next three years:

	<u>Principal</u>	<u>Interest</u>
2020	\$ 8,500	\$ 2,142
2021	9,699	943
2022	1,745	29

GREAT LAKES ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 9 - RETIREMENT PLAN

All leased employees of the Academy are eligible to participate in a retirement plan maintained by the employee leasing organization (employer), and which qualifies under the provisions of Section 401(k) of the Internal Revenue Code. The Academy will reimburse the employer for its match for 50% of the amount the employee contributes up to a maximum of 2% of compensation.

NOTE 10 - 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 in any of the past three fiscal years.

SUPPLEMENTARY INFORMATION

GREAT LAKES ACADEMY

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues				
Local sources	\$ 110,630	\$ 118,659	\$ 28,121	\$ (90,538)
State sources	1,674,199	1,672,964	1,632,388	(40,576)
Federal sources	219,198	255,983	233,813	(22,170)
Interdistrict sources	-	-	130,816	130,816
Total general fund revenues	<u>2,004,027</u>	<u>2,047,606</u>	<u>2,025,138</u>	<u>(22,468)</u>
Expenditures				
Instruction				
Basic programs	750,692	727,789	718,105	(9,684)
Added needs	163,259	210,400	220,842	10,442
Support services				
Pupil support services	92,254	81,060	81,029	(31)
Instructional staff support services	52,461	134,134	127,628	(6,506)
General administration	176,900	166,800	152,233	(14,567)
School administration	266,339	385,493	380,079	(5,414)
Business support services	1,600	2,612	2,553	(59)
Operations and maintenance	308,616	367,897	381,841	13,944
Pupil transportation services	14,700	4,200	1,740	(2,460)
Central support services	31,800	32,300	31,859	(441)
Community services	1,300	10,268	6,409	(3,859)
Capital outlay	-	-	9,592	9,592
Debt principal and interest	94,931	75,108	63,852	(11,256)
Total general fund expenditures	<u>1,954,852</u>	<u>2,198,061</u>	<u>2,177,762</u>	<u>(20,299)</u>
Excess (deficiency) of revenues over expenditures	49,175	(150,455)	(152,624)	(2,169)
Other Financing Sources (Uses)				
Proceeds from long-term debt	-	-	26,509	26,509
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	49,175	(150,455)	(126,115)	24,340
Fund balance - July 1, 2018	<u>595,471</u>	<u>595,471</u>	<u>595,471</u>	<u>-</u>
Fund balance - June 30, 2019	<u>\$ 644,646</u>	<u>\$ 445,016</u>	<u>\$ 469,356</u>	<u>\$ 24,340</u>

GREAT LAKES ACADEMY

SCHEDULE OF REVENUES – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2019

Local Sources

Earnings on investments	\$ 242
Other local revenues	<u>27,879</u>
Total local sources	28,121

State Sources

At risk	130,457
Special education	115,256
State aid	<u>1,386,675</u>
Total state sources	1,632,388

Federal Sources

IDEA	38,410
Title I	159,003
Title II	20,157
Title IV	<u>16,243</u>
Total federal sources	233,813

Interdistrict Sources

	<u>130,816</u>
Total general fund revenues	<u><u>\$ 2,025,138</u></u>

GREAT LAKES ACADEMY

SCHEDULE OF EXPENDITURES – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2019

Basic Programs

Purchased services	\$ 568,196
Supplies and materials	148,625
Other expenditures	<u>1,285</u>
Total basic programs	718,105

Added Needs

Purchased services	220,842
--------------------	---------

Pupil Support Services

Psychological services	11,660
Speech pathology and audiology	33,721
Social work services	<u>35,648</u>
Total pupil support services	81,029

Instructional Staff Support Services

Purchased services	127,628
--------------------	---------

General Administration

Purchased services	39,156
Management fees	23,834
University oversight	35,990
Other expenditures	<u>53,253</u>
Total general administration	152,233

School Administration

Purchased services	329,153
Repairs and maintenance	11,999
Supplies and materials	21,661
Non-depreciable capital assets	990
Other expenditures	<u>16,276</u>
Total school administration	380,079

GREAT LAKES ACADEMY

SCHEDULE OF EXPENDITURES – GENERAL FUND - Continued FOR THE YEAR ENDED JUNE 30, 2019

Business Support Services

Other expenditures	2,553
--------------------	-------

Operations and Maintenance

Purchased services	255,145
Repairs and maintenance	92,016
Rentals	7,800
Supplies and materials	7,990
Non-depreciable capital assets	18,890

Total operations and maintenance	381,841
----------------------------------	---------

Pupil Transportation Services

Purchased services	1,740
--------------------	-------

Central Support Services

Purchased services	23,650
Non-depreciable capital assets	8,209

Total central support services	31,859
--------------------------------	--------

Community Services

Supplies and materials	6,409
------------------------	-------

Capital Outlay

9,592

Debt Principal and Interest

63,852

Total general fund expenditures	<u>\$ 2,177,762</u>
---------------------------------	---------------------