

**Audited Financial Statements**

# **Grand Traverse Academy**

Traverse City, Michigan

**June 30, 2018**

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## INDEPENDENT AUDITOR'S REPORT

### To the Board of Directors of Grand Traverse Academy

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Grand Traverse Academy as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Grand Traverse 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 judgement, 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 Grand Traverse Academy as of June 30, 2018, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 the 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 Grand Traverse Academy's basic financial statements. The introductory section, combining and individual non-major 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 non-major fund financial statements and the 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 non-major fund financial statements and the schedules of revenues and expenditures are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2018, on our consideration of Grand Traverse 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 Grand Traverse 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 Grand Traverse Academy's internal control over financial reporting and compliance.



Croskey Lanni, PC

## 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 Grand Traverse 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 Grand Traverse Academy, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Grand Traverse Academy's basic financial statements, and have issued our report thereon dated October 25, 2018.

### Internal Control over Financial Reporting

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

A handwritten signature in blue ink that reads "Crosby Lanni, PC". The signature is written in a cursive style.

Croskey Lanni, PC

October 25, 2018  
Rochester, Michigan

## **MANAGEMENT’S DISCUSSION AND ANALYSIS**

This section of Grand Traverse Academy’s annual financial report presents our discussion and analysis of the Academy’s financial performance during the fiscal year that ended on June 30, 2018. Please read it in conjunction with the Academy’s financial statements, which immediately follow this section.

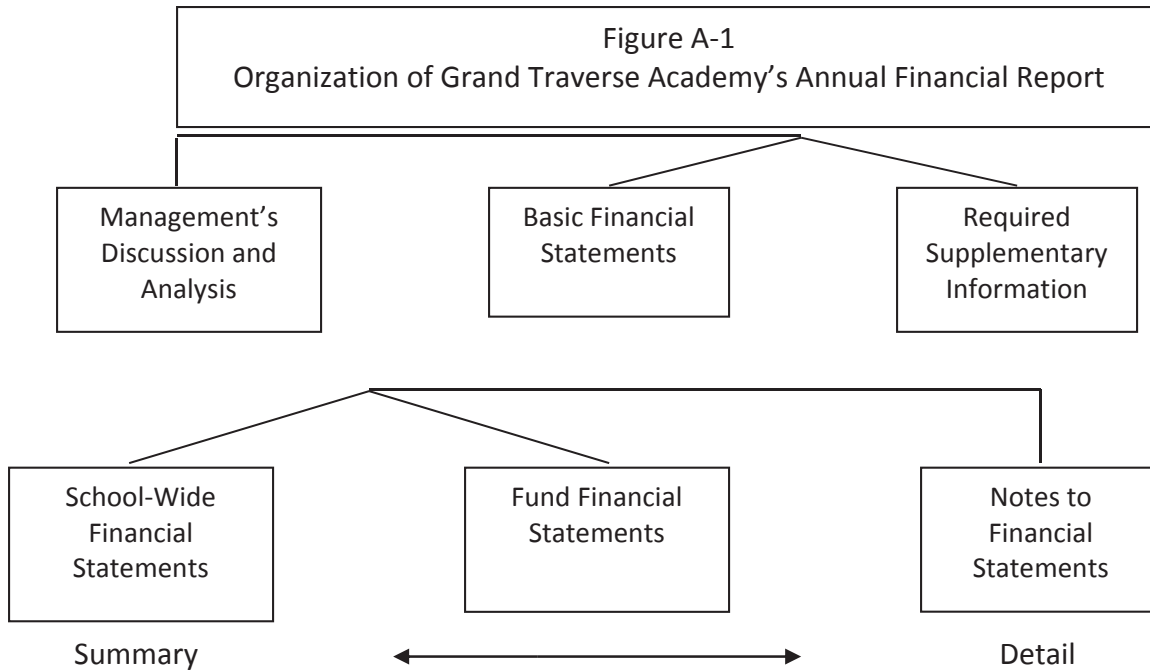
### **FINANCIAL HIGHLIGHTS**

- ❖ The total cost of basic programs as reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance for the year ended June 30, 2018 was \$3,780,117.
- ❖ General fund revenues, expenditures and transfers-out were at \$9,202,248, \$7,528,847 and \$982,508, respectively.
- ❖ Blended enrollment used for state aid purposes was approximately 1,098 students.
- ❖ The Academy invested \$88,699 in capital assets during the year ended June 30, 2018. These expenditures were comprised of the following: new control units, two new automatic doors, and new bathroom sprayers. Total capital assets net of depreciation as of June 30, 2018 are \$8,581,269.
- ❖ The Academy has long-term liabilities of \$13,384,360, which are due in future periods.
- ❖ The Academy has a positive General Fund balance of \$882,257 as of June 30, 2018. The fund balance has increased from \$191,364 from FY17, representing income of \$690,893 in FY18.

### **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 school-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.
- ❖ The governmental fund statements tell how basic services like regular and special education were financed.
- ❖ Fiduciary funds statements provide information about the financial relationships in which the Academy acts solely as a trustee or agent for the benefit of others. These consist of student activity funds held by the Academy on behalf of the student group.



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 this annual report are arranged and related to one another.

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

	School-Wide Statements	Government Funds	Fiduciary Funds (Not Applicable to GTA in FY16)
Scope	Entire Academy (except fiduciary funds)	The activities of the Academy that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the Academy administers resources on behalf of someone else, such as scholarship programs and 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 *Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources	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
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.



Figure A-2 summarizes 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.

## **SCHOOL-WIDE STATEMENTS**

The school-wide statements report information about the Academy as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the Academy’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two school-wide statements report the Academy’s net position and how it has changed. Net position – the difference between the Academy’s assets and liabilities – are one way to measure the Academy’s financial health or position.

- ❖ Over time, increases or decreases in the Academy’s assets are 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 and the condition of buildings and other facilities.

## **FUND FINANCIAL STATEMENTS**

The fund financial statements provide more detailed information about the Academy’s funds, focusing on its most 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:

- ❖ *Governmental activities* – Most of the Academy’s basic services are included in the general fund, such as regular and special education and administration. State foundation aid finances most of these activities.
- ❖ The Academy establishes other funds to control and manage money for particular purposes (like repaying its long-term debts) or to show that it is properly using certain revenues. Grand Traverse Academy records these funds in a debt service fund.
- ❖ The academy has also established an agency fund which accounts for funds held by the academy for the benefit of others such as Academy organizations, classroom accounts, field trips, etc.

The Academy has one kind of fund:

- ❖ *Governmental funds* – 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 school-wide statements, we provide additional information with governmental funds statements that explains the relationship (or differences) between them.

## FINANCIAL ANALYSIS OF THE ACADEMY AS A WHOLE

GTA continues to support high quality professional development and resources to support STEM (science, technology, engineering, and math) education with nearly \$100,000 to be spent during the 2018-19 academic year including professional development with PLTW (Project Lead the Way) and the William Glasser Institute.

**Table A-3 – Summary of the Academy’s Net Position (Deficit) Comparing Fiscal Years 2018 and 2017**

**Table A-3  
GTA's Net Position (Deficit)**

	<u>2018</u>	<u>2017</u>
Current assets	\$ 4,291,371	\$ 4,480,446
Capital assets	8,581,269	8,828,062
Deferred outflows	856,182	903,747
	<u>13,728,822</u>	<u>14,212,255</u>
Long-term debt outstanding	13,384,360	13,844,078
Other liabilities	2,076,018	2,854,139
	<u>15,460,378</u>	<u>16,698,217</u>
Net position (deficit):		
Net investment (deficit) in capital assets	(4,803,091)	(5,016,016)
Restricted	1,534,576	1,581,365
Unrestricted	1,536,959	948,689
	<u>1,536,959</u>	<u>948,689</u>
Total net position (deficit)	<u>\$ (1,731,556)</u>	<u>\$ (2,485,962)</u>

**Change in Net Deficit** – Revenues and Expenditures reported in the Statement of Activities for the year ended June 30, 2018 amounted to \$9,203,992 and \$8,449,586, respectively. This resulted in revenues in excess of expenditures of \$754,406. Table A-4 presents a summary of the changes in net position for the fiscal years ended June 30, 2018 and 2017.

**Table A-4 – Summary of the Changes in Net Deficit Comparing Fiscal Years 2018 and 2017**

**Table A-4  
Changes in GTA's Net Position (Deficit)**

	<b>2018</b>	<b>2017</b>
Revenues:		
Program revenues:		
Charges for services	\$ 223,738	\$ 151,645
Federal and state operating grants	431,335	502,090
General revenues:		
State aid - unrestricted	8,343,570	8,765,832
Miscellaneous	205,349	92,863
Total revenues	<u>9,203,992</u>	<u>9,512,430</u>
Expenses:		
Instruction	4,499,985	5,124,161
Support services	2,908,320	3,396,159
Interest on long-term debt	658,224	675,594
Depreciation and amortization	<u>383,057</u>	<u>382,416</u>
Total expenses	<u>8,449,586</u>	<u>9,578,330</u>
Change in net position (deficit)	<u>\$ 754,406</u>	<u>\$ (65,900)</u>

**Governmental Activities** – Table A-4 presents the cost of the Academy’s functional activities: instruction, support services, depreciation, and interest on debt. The table also shows each function’s net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs.) The net cost shows the financial burden that was place on the State taxpayers by each of these functions.

### **General Fund Budgetary Analysis**

Over the course of the FY18 year, the Academy approved and amended its annual operating budget as needed in the normal course of its operations. Actual general fund expenditures were under budget by \$328,973. General Fund expenditures were under budget as a result of cost cutting, the Academy’s change from its former management company and overall effort to budget realistically to the Academy’s expenditures. Grand Traverse Academy’s daily activities and oversight were contracted to a management company, Full Spectrum Management (FSM) until August 2017. In August 2017, the Academy changed to being self-managed while using a contracted Chief Financial Officer as well as Payroll and Human Resources service provider for the Academy.

### **Financial Outlook**

Grand Traverse Academy’s financial forecast continues to be optimistic heading into the 2018-2019 academic year.

- ❖ Grand Traverse Academy made the decision to become self-managed in the 2017-2018 academic year. This decision will continue to save approximately \$600,000 annually. Self-management was accomplished by contracting with a Professional Employment Organization to handle all human resources matters and a Public Accounting Firm to perform contract Chief Financial Officer services. The prior management company was terminated effective June 23, 2017 and continued to provide services through August 2017 pursuant an understanding between the former management company and the Academy.

- ❖ Enrollment has decreased from 1054 students in the Spring of 2018 to 898 students in Fall of 2018 due to several factors (i.e. change in the Academy age population demographics that are located in the Academy’s service area, a more competitive landscape in the Academy’s geographical area providing K-12 education, and choices made by parents to pursue their education elsewhere). As a result, twenty-nine educators have separated service from the Academy and twenty-one were hired to provide appropriate staffing for the upcoming academic year.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

By the end of 2018, GTA had invested \$8,581,269, net of accumulated depreciation, in a wide variety of areas.

**Table A-5  
GTA's Capital Assets**

	<b>Balance June 30, 2018</b>	<b>Balance June 30, 2017</b>
Land	\$ 770,000	\$ 770,000
Building and improvements	10,564,608	11,971,804
Furniture, equipment and computers	<u>2,821,097</u>	<u>3,015,616</u>
Subtotal	14,155,705	15,757,420
Less: accumulated depreciation	<u>5,574,436</u>	<u>6,929,358</u>
Net book value of assets	<u><u>\$ 8,581,269</u></u>	<u><u>\$ 8,828,062</u></u>

**FACTORS BEARING ON THE ACADEMY’S FUTURE**

- ❖ Grand Traverse Academy is geographically located in one of the few areas in the Grand Traverse region that is capable of and is expected to experience new housing development. It is also directly on a primary route of incoming traffic for those working families in Traverse City. In addition, we provide an educational and cultural alternative to our surrounding school districts that is focusing on preparing students for jobs of the future. Our character education component continues to be attractive to families from its impact in minimizing student behavioral issues.
- ❖ Historically Grand Traverse Academy has shown that we can provide exceptional programming and fiscal responsibility with the revenue provided by the State. We are confident that will continue.

## **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 management office at:

Grand Traverse Academy  
Jim Coneset, Superintendent  
1245 East Hammond Road  
Traverse City, MI 49686

Rehmann  
Stephen M. Peacock , CPA, CFO  
107 South Cass Street, Suite A  
Traverse City, MI 49685

# GRAND TRAVERSE ACADEMY

## STATEMENT OF NET POSITION (DEFICIT) JUNE 30, 2018

### ASSETS AND DEFERRED OUTFLOWS

#### Current Assets

Cash and cash equivalents	\$ 1,116,929
Investments - restricted for debt service and capital projects	1,534,576
Accounts receivable	15,661
Due from other governmental units	1,569,467
Due from agency funds	843
Prepaid expenses	53,895
Total current assets	4,291,371

#### Capital Assets - Net of Accumulated Depreciation

Total assets	8,581,269
Total assets	12,872,640

#### Deferred Outflows

Deferred loss on debt refunding	856,182
Total assets and deferred outflows	\$ 13,728,822

### LIABILITIES, DEFERRED INFLOWS AND NET POSITION (DEFICIT)

#### Current Liabilities

Accounts payable	\$ 53,142
Notes payable	1,554,000
Unearned revenue	509
Other accrued expenses	468,367
Long-term debt - current portion	461,584
Total current liabilities	2,537,602

#### Long-Term Debt - Long-Term Portion

Long-Term Debt - Long-Term Portion	12,922,776
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#### Net Position (Deficit)

Net investment (deficit) in capital assets	(4,803,091)
Restricted for debt services and capital projects	1,534,576
Unrestricted	1,536,959
Total net position (deficit)	(1,731,556)
Total liabilities, deferred inflows and net position (deficit)	\$ 13,728,822

See accompanying notes to financial statements

## GRAND TRAVERSE ACADEMY

### STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2018

		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	\$ 3,812,637	\$ 156,664	\$ 16,078		\$ (3,639,895)
Added needs	687,348	-	390,983		(296,365)
Support services					
Pupil support services	84,841	-	3,916		(80,925)
Instructional staff support services	233,176	-	18,158		(215,018)
General administration	701,989	-	-		(701,989)
School administration	739,565	-	-		(739,565)
Business support services	168,320	-	-		(168,320)
Operations and maintenance	608,371	-	-		(608,371)
Pupil transportation services	1,200	-	1,200		-
Central support services	226,762	-	-		(226,762)
Athletic activities	143,096	67,074	-		(76,022)
Community services	1,000	-	1,000		-
Unallocated depreciation / amortization	383,057	-	-		(383,057)
Unallocated interest	658,224	-	-		(658,224)
Total primary government	\$ 8,449,586	\$ 223,738	\$ 431,335		(7,794,513)
<b>General Purpose Revenues</b>					
State school aid - unrestricted					8,343,570
Earnings on investments					18,071
Miscellaneous revenues					187,278
Total general purpose revenues					8,548,919
Change in net position					754,406
Net position (deficit) - July 1, 2017					(2,485,962)
Net position (deficit) - June 30, 2018					\$ (1,731,556)

See accompanying notes to financial statements

## GRAND TRAVERSE ACADEMY

### COMBINED BALANCE SHEET – ALL GOVERNMENTAL FUNDS

JUNE 30, 2018

#### ASSETS

	General	Debt Service	Total
Cash and cash equivalents	\$ 1,116,929	\$ -	\$ 1,116,929
Investments	-	1,534,576	1,534,576
Accounts receivable	15,661	-	15,661
Due from other governmental units	1,569,467	-	1,569,467
Due from agency funds	843	-	843
Prepaid expenses	51,007	2,888	53,895
	<u>\$ 2,753,907</u>	<u>\$ 1,537,464</u>	<u>\$ 4,291,371</u>

#### LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE

##### Liabilities

Accounts payable	\$ 53,142	\$ -	\$ 53,142
Notes payable	1,554,000	-	1,554,000
Unearned revenue	509	-	509
Other accrued expenses	250,557	-	250,557
	<u>1,858,208</u>	<u>-</u>	<u>1,858,208</u>

##### Deferred Inflows of Resources - Unavailable Revenue

	13,442	-	13,442
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##### Fund Balance

Nonspendable	51,007	2,888	53,895
Restricted	-	1,534,576	1,534,576
Unassigned	831,250	-	831,250
	<u>882,257</u>	<u>1,537,464</u>	<u>2,419,721</u>
	<u>\$ 2,753,907</u>	<u>\$ 1,537,464</u>	<u>\$ 4,291,371</u>

Total liabilities, deferred inflows and fund balance

See accompanying notes to financial statements



## GRAND TRAVERSE ACADEMY

### RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES JUNE 30, 2018

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

<b>Total Governmental Fund Balances</b>	\$ 2,419,721
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$14,155,705 and the accumulated depreciation is \$5,574,436.	8,581,269
Losses on issuance of refunding bonds are reported as a deferred outflow of resources and amortized over the life of the bonds in the statement of net position	856,182
Deferred inflows of resources (unavailable revenue) not available to benefit the current period and are not reported in the statement of net position	13,442
Accrued vacation time is not payable until due in governmental activities and, therefore, is not recorded in the funds.	(110,877)
Interest is not payable until due in governmental activities and, therefore, is not recorded in the funds.	(106,933)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(13,384,360)</u>
<b>Net Position (Deficit) of Governmental Activities</b>	<u><u>\$ (1,731,556)</u></u>

See accompanying notes to financial statements

## GRAND TRAVERSE ACADEMY

### STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – ALL GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2018

	<u>General</u>	<u>Debt Service</u>	<u>Total</u>
<b>Revenues</b>			
Local sources	\$ 424,945	\$ 15,904	\$ 440,849
State sources	8,582,164	-	8,582,164
Federal sources	118,764	-	118,764
Interdistrict sources	76,375	-	76,375
	<hr/>	<hr/>	<hr/>
Total governmental fund revenues	9,202,248	15,904	9,218,152
<b>Expenditures</b>			
Instruction			
Basic programs	3,780,117	-	3,780,117
Added needs	683,665	-	683,665
Support services			
Pupil support services	84,841	-	84,841
Instructional staff support services	228,941	-	228,941
General administration	701,989	-	701,989
School administration	732,879	-	732,879
Business support services	167,357	963	168,320
Operations and maintenance	608,371	-	608,371
Pupil transportation services	1,200	-	1,200
Central support services	226,762	-	226,762
Athletic activities	143,096	-	143,096
Community services	1,000	-	1,000
Capital outlay	88,699	-	88,699
Debt principal and interest	79,930	1,041,350	1,121,280
	<hr/>	<hr/>	<hr/>
Total governmental fund expenditures	7,528,847	1,042,313	8,571,160
Excess (deficiency) of revenues over expenditures	1,673,401	(1,026,409)	646,992
<b>Other Financing Sources (Uses)</b>			
Operating transfers in	-	982,508	982,508
Operating transfers out	(982,508)	-	(982,508)
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	(982,508)	982,508	-
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	690,893	(43,901)	646,992
Fund balance - July 1, 2017	191,364	1,581,365	1,772,729
	<hr/>	<hr/>	<hr/>
Fund balance - June 30, 2018	\$ 882,257	\$ 1,537,464	\$ 2,419,721
	<hr/>	<hr/>	<hr/>

See accompanying notes to financial statements

## GRAND TRAVERSE 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, 2018

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

<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$	646,992
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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	\$	88,699	
Depreciation and amortization expense		(335,492)	(246,793)

Some items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. These activities consist of:

Amortization of bond premium	\$	1,682	
Amortization of deferred loss on refunding		(47,565)	(45,883)

Revenue is reported in the statement of activities when earned, but not reported in the funds until collected or collectible within 60 days of year end	(14,160)
---	----------

Expenses are reported in the statement of activities when earned, but not reported in the funds until payable in the current period	(47,124)
---	----------

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:

Repayment of loan principal	\$	458,035	
Interest expense		3,339	461,374

<b>Change in Net Position (Deficit) of Governmental Activities</b>	\$	754,406
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See accompanying notes to financial statements

**GRAND TRAVERSE ACADEMY**

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUND  
JUNE 30, 2018

**ASSETS**

Cash and cash equivalents	\$ 53,402
Total assets	<u>\$ 53,402</u>

**LIABILITIES**

Due to general fund	\$ 843
Due to student groups	<u>52,559</u>
Total liabilities	<u>\$ 53,402</u>

# GRAND TRAVERSE ACADEMY

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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

The accounting policies of Grand Traverse 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**

Grand Traverse 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, in December 1998, and began operation in July, 2000.

In 2015 the Academy entered into a six year extension of its original contract with Lake Superior State University’s Board of Trustees expiring June 2021. 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 Lake Superior State University’s Board of Trustees three percent of state aid as administrative fees. Total administrative fees paid for the year ended June 30, 2018 were approximately \$257,360.

The Academy entered into two separate contracts for human resource services and financial and administrative services. The human resource provider administers all employment, benefit, compliance and employer tax payment services and operates as a Professional Employment Organization (“PEO”). Total fees paid to the PEO by the Academy for the year ended June 30, 2018 amounted to \$102,841. The Academy has also engaged the services of an independent public accounting firm (“the Firm”) to provide financial and administrative oversight services for the Academy. Total fees incurred or paid to the Firm by the Academy for the year ended June 30, 2018 amounted to \$186,931.

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 operation of 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.

## GRAND TRAVERSE ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2018

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

#### 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.

**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.

**Debt Service Fund** - The debt service fund 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 does not currently 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.

## **GRAND TRAVERSE ACADEMY**

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2018

### **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 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.

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

# GRAND TRAVERSE ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2018

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

### 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 investments in mutual funds that invest solely in U.S. Treasury obligations. The funds are held in trust for debt service and capital projects. 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, 2018 consist primarily of state school aid due from the State of Michigan. All receivables are expected to be fully collected in July and August of 2018 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, 2018 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



# GRAND TRAVERSE ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2018

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

### 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 its use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors or laws or 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. The balances shown as restricted, include \$1,534,576 of resources held in trust for the payment of revenue bond obligations.
- 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.

## GRAND TRAVERSE ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2018

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

- 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.

### 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, 2018 the budget was amended in a legally permissible manner. During the year ended June 30, 2018 the Academy incurred budget overages within certain functional areas as detailed on Page 20 of these financial statements, however total expenditures did not exceed total appropriations.

## GRAND TRAVERSE ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2018

### NOTE 3 - DEPOSITS AND INVESTMENTS

As of June 30, 2018 the Academy had the following investments:

<u>Type</u>	<u>S&amp;P Rating</u>	<u>Maturities</u>	<u>Carrying Value</u>
Deposits:			
Demand deposits			\$ 1,170,331
Investments:			
U.S. Treasury and agency obligations	AAAm	Various	<u>1,534,576</u>
Total deposits and investments			<u>\$ 2,704,907</u>

The above amounts are reported in the financial statements as follows:

Deposits:			
Cash - Fiduciary Fund			\$ 53,402
Cash - General Fund			1,116,929
Investments:			
Investments - Debt Service			<u>1,534,576</u>
Total deposits and investments			<u>\$ 2,704,907</u>

#### 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, 2018 the Academy's investments were rated AAAM by Standards & Poor's and Aaa by Moody's Investors Service.

## **GRAND TRAVERSE ACADEMY**

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2018

### **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. More than 5% of the Academy's investments are in pooled investment accounts which represent 100% of the Academy's total investments.

#### **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, 2018, \$940,355 of the Academy's cash was exposed to custodial credit risk because it was uninsured. All cash balances were uncollateralized as of June 30, 2018.

#### **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.

## GRAND TRAVERSE ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2018

### 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	\$ 1,562,457
Federal sources	<u>7,010</u>
Total	<u>\$ 1,569,467</u>

### NOTE 5 - CAPITAL ASSETS

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

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2018</u>
Capital assets not subject to depreciation				
Land	\$ 770,000	\$ -	\$ -	\$ 770,000
Capital assets subject to depreciation				
Building and improvements	11,971,804	59,000	1,466,196	10,564,608
Furniture and equipment	2,911,973	18,449	145,927	2,784,495
Computers	<u>103,643</u>	<u>11,250</u>	<u>78,291</u>	<u>36,602</u>
Sub-total	15,757,420	88,699	1,690,414	14,155,705
Accumulated depreciaion				
Building and improvements	3,944,499	311,557	1,466,196	2,789,860
Furniture and equipment	2,881,216	21,685	145,927	2,756,974
Computers	<u>103,643</u>	<u>2,250</u>	<u>78,291</u>	<u>27,602</u>
Sub-total	<u>6,929,358</u>	<u>335,492</u>	<u>1,690,414</u>	<u>5,574,436</u>
Total net capital assets	<u>\$ 8,828,062</u>	<u>\$ (246,793)</u>	<u>\$ -</u>	<u>\$ 8,581,269</u>

## GRAND TRAVERSE ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2018

### 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 – OTHER ACCRUED EXPENSES

Other accrued expenses may be summarized as follows:

	<b>Net Position (Deficit)</b>	<b>Funds</b>
Purchased services - payroll and benefits	\$ 246,499	\$ 135,622
University oversight fee	46,769	46,769
Interest	175,099	68,166
	<u>175,099</u>	<u>68,166</u>
Total other accrued expenses	<u>\$ 468,367</u>	<u>\$ 250,557</u>

### NOTE 7 – NOTES PAYABLE

Notes payable may be summarized as follows:

#### Loan Information

	<b>Interest Rate</b>	<b>Maturity Date</b>	<b>Other</b>
SAAN 17 - 18	4.75%	August, 2018	Issued to provide the Academy with funds to finance its operations; secured by future state aid
SAAN 16 - 17	5.75%	August, 2017	Paid in full with proceeds from 17-18 issuance

#### Loan Activity

	<b>Balance July 1, 2017</b>	<b>Additions</b>	<b>Retirements and Payments</b>	<b>Balance June 30, 2018</b>
SAAN 17 - 18	\$ -	\$ 2,330,000	\$ 776,000	\$ 1,554,000
SAAN 16 - 17	2,330,000	-	2,330,000	-
	<u>2,330,000</u>	<u>-</u>	<u>2,330,000</u>	<u>-</u>
Total notes payable	<u>\$ 2,330,000</u>	<u>\$ 2,330,000</u>	<u>\$ 3,106,000</u>	<u>\$ 1,554,000</u>

## GRAND TRAVERSE ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2018

### NOTE 8 - LONG-TERM OBLIGATIONS PAYABLE

The following is a summary of long-term obligations for the Academy during the year June 30, 2018:

#### Loan Information

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Monthly Installments</u>	<u>Original Issue Amount</u>
Capital lease 1	8.00%	November, 2021	\$ 2,693	\$ 133,109
Capital lease 2	5.69%	August, 2018	\$ 3,968	\$ 117,521
Revenue bonds	4.00% - 5.00%	November, 2036	Varying	\$ 16,200,000

#### Loan Activity

	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Retirements and Payments</u>	<u>Balance June 30, 2018</u>	<u>Due Within One Year</u>
Capital lease 1	\$ 119,909	\$ -	\$ 23,574	\$ 96,335	\$ 25,532
Capital lease 2	75,513	-	44,461	31,052	31,052
Revenue bond	13,615,000	-	390,000	13,225,000	405,000
Total loan activity	<u>\$ 13,810,422</u>	<u>\$ -</u>	<u>\$ 458,035</u>	13,352,387	<u>\$ 461,584</u>
Plus unamortized premium				<u>31,973</u>	
Total				<u>\$ 13,384,360</u>	

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

	<u>Principal</u>	<u>Interest</u>
2019	\$ 461,584	\$ 638,650
2020	459,335	615,268
2021	481,632	590,971
2022	484,884	565,865
2023	496,683	541,475
2024 - 2028	2,858,415	2,327,531
2029 - 2033	3,593,415	1,576,394
2034 - 2038	4,548,412	539,750
	<u>\$ 13,384,360</u>	<u>\$ 7,395,904</u>

## GRAND TRAVERSE ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2018

### NOTE 9 - INTERFUND TRANSFERS

During the normal course of the school year the Academy transferred amounts between its major funds as follows:

	<u>General</u>	<u>Debt Service</u>
Transfer In	\$ -	\$ 982,508
Transfer Out	982,508	-

As stipulated by the Academy's revenue bond agreement as described in Note 8, the Academy must transfer 20% of its state aid to a trustee. The trustee retains the required portion for debt service and returns the remainder to the Academy. These above transactions account for the major activity in the Academy's interfund transfer accounts.

### 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.

### NOTE 11 – SUBSEQUENT EVENTS

The Academy was named as a defendant in a lawsuit filed by a local construction company to be reimbursed for costs in connection with a potential building expansion. The suit was taken to Mediation and was settled on August 7, 2018. The Academy agreed to pay \$70,000 over the course of three years at no interest. The first payment is due in September 2018 in the amount of \$20,000, with the following two payments being due in September 2019 and 2020 in the amount of \$25,000 each. In the government-wide financial statements, the entire settlement (\$70,000) will be recognized during the year ended June 30, 2019. In the fund statements, the payments will be recognized during the year the payment will be due. The Academy will not be liable for any additional costs associated with this lawsuit.



## SUPPLEMENTARY INFORMATION

## GRAND TRAVERSE ACADEMY

### REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Revenues</b>				
Local sources	\$ 390,000	\$ 435,163	\$ 424,945	\$ (10,218)
State sources	9,078,446	8,578,740	8,582,164	3,424
Federal sources	123,669	134,917	118,764	(16,153)
Interdistrict sources	-	-	76,375	76,375
Total general fund revenues	<u>9,592,115</u>	<u>9,148,820</u>	<u>9,202,248</u>	<u>53,428</u>
<b>Expenditures</b>				
Instruction				
Basic programs	5,150,000	3,917,628	3,780,117	(137,511)
Added needs	-	821,057	683,665	(137,392)
Support sources				
Pupil support services	-	83,769	84,841	1,072
Instructional staff support services	255,000	216,443	228,941	12,498
General administration	1,185,000	711,271	701,989	(9,282)
School administration	725,000	736,130	732,879	(3,251)
Business support services	240,000	156,257	167,357	11,100
Operations and maintenance	645,000	638,017	608,371	(29,646)
Pupil transportation services	-	-	1,200	1,200
Central support services	95,000	250,870	226,762	(24,108)
Athletic activities	115,000	157,474	143,096	(14,378)
Community services	-	-	1,000	1,000
Capital outlay	-	88,699	88,699	-
Debt principal and interest	-	80,205	79,930	(275)
Total general fund expenditures	<u>8,410,000</u>	<u>7,857,820</u>	<u>7,528,847</u>	<u>(328,973)</u>
Excess of revenues over expenditures	1,182,115	1,291,000	1,673,401	382,401
<b>Other Financing Uses</b>				
Operating transfers out	(1,100,500)	(991,000)	(982,508)	8,492
Excess of revenues over expenditures and other uses	81,615	300,000	690,893	390,893
Fund balance - July 1, 2017	<u>191,364</u>	<u>191,364</u>	<u>191,364</u>	<u>-</u>
Fund balance - June 30, 2018	<u>\$ 272,979</u>	<u>\$ 491,364</u>	<u>\$ 882,257</u>	<u>\$ 390,893</u>

## GRAND TRAVERSE ACADEMY

### SCHEDULE OF REVENUES – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2018

#### Local Sources

Tuition	\$	168,860
Earnings on investments		2,167
Student activities		69,038
Other local revenues		184,880

Total local sources 424,945

#### State Sources

At risk		141,764
Special education		96,830
State aid		8,343,570

Total state sources 8,582,164

#### Federal Sources

Title I		80,612
Title II A		18,158
Other program revenue		19,994

Total federal sources 118,764

#### Interdistrict Sources

76,375

Total general fund revenues \$ 9,202,248

## GRAND TRAVERSE ACADEMY

### SCHEDULE OF EXPENDITURES – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2018

#### Basic Programs

Purchased services	\$ 3,609,551
Supplies and materials	111,101
Other expenditures	<u>59,465</u>
Total basic programs	3,780,117

#### Added Needs

Purchased services	683,601
Supplies and materials	<u>64</u>
Total added needs	683,665

#### Pupil Support Services

Guidance services	3,916
Other pupil services	<u>80,925</u>
Total pupil support services	84,841

#### Instructional Staff Support Services

Purchased services	228,941
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#### General Administration

Purchased services	699,422
Other expenditures	<u>2,567</u>
Total general administration	701,989

#### School Administration

Purchased services	671,837
Supplies and materials	52,604
Other expenditures	<u>8,438</u>
Total school administration	732,879

## GRAND TRAVERSE ACADEMY

### SCHEDULE OF EXPENDITURES – GENERAL FUND - Continued FOR THE YEAR ENDED JUNE 30, 2018

<b>Business Support Services</b>	
Purchased services	36,185
Other expenditures	131,172
	<hr/>
Total business support services	167,357
<b>Operations and Maintenance</b>	
Purchased services	296,936
Repairs and maintenance	145,547
Supplies and materials	162,018
Non-depreciable capital assets	3,870
	<hr/>
Total operations and maintenance	608,371
<b>Pupil Transportation Services</b>	
Purchased services	1,200
<b>Central Support Services</b>	
Purchased services	35,467
Non-depreciable capital assets	189,171
Other expenditures	2,124
	<hr/>
Total central support services	226,762
<b>Athletic Activities</b>	
Purchased services	90,141
Rentals	3,814
Supplies and materials	23,474
Other expenditures	25,667
	<hr/>
Total athletic activities	143,096
<b>Community Services</b>	
Purchased services	1,000
<b>Capital Outlay</b>	88,699
<b>Debt Principal and Interest</b>	79,930
	<hr/>
Total general fund expenditures	<u>\$ 7,528,847</u>

**GRAND TRAVERSE ACADEMY**

SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2018

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**1) *Audit findings that have been fully corrected:***

**Fiscal Year:** 2017

**Finding Number:** 2017-001

**Finding:** Expenditures exceeded board appropriations by \$53,778.

**Comments:** The Academy has implemented procedures to ensure that all actual expenditures do not exceed budgeted appropriations.

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**2) *Audit findings not corrected or partially corrected:***

None

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