

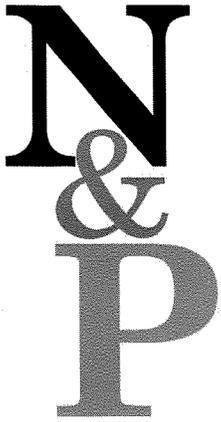
OAKLAND ACADEMY
PORTAGE, MICHIGAN

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED JUNE 30, 2018

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INDEPENDENT AUDITOR'S REPORT

Board of Education
Oakland Academy
Portage, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Oakland Academy as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Oakland 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 Oakland Academy, as of June 30, 2018, 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.

Bruce S. A. Gosling, CPA, CVA
Ricky L. Strawser, CPA

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 on pages 3–7 and 20 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 Oakland Academy's basic financial statements. The combining and individual nonmajor fund financial statements 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 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 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 15, 2018, on our consideration of Oakland 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Oakland Academy's internal control over financial reporting and compliance.

Norman & Paulsen

Norman & Paulsen, P.C.

Three Rivers, Michigan

October 15, 2018

**Oakland Academy
Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2018**

Oakland Academy, a K-8 Public School Academy located in Kalamazoo County, Michigan, has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34) with the enclosed financial statements. The Management's Discussion and Analysis, a requirement of GASB-34, is intended to be the Oakland Academy Management's Discussion and Analysis of the financial results for the fiscal year ended June 30, 2018.

Accounting principles generally accepted in the United States of America (GAAP) according to GASB-34 requires the reporting of two types of financial statements: District Wide Financial Statements and Fund Financial Statements.

Fund Financial Statements

The fund level statements are reported on a modified accrual basis. Only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

The funds are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual." In the state of Michigan, the District's major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in their relevant funds. For the Academy, this would include School Service Funds.

District-Wide Financial Statements

The district-wide financial statements are full accrual basis statements. They report all of the Academy's assets and liabilities, both short and long term, regardless if they are "currently available" or not. For example, assets that are restricted for use in the Debt Funds solely for the payment of long term principle or interest are grouped with unrestricted assets of the General Fund. Capital assets and long-term obligations of the Academy are reported in the Statement of Net Position of the district-wide financial statements.

Summary of Net Position:

The following summarizes the net position at June 30, 2017 and 2018:

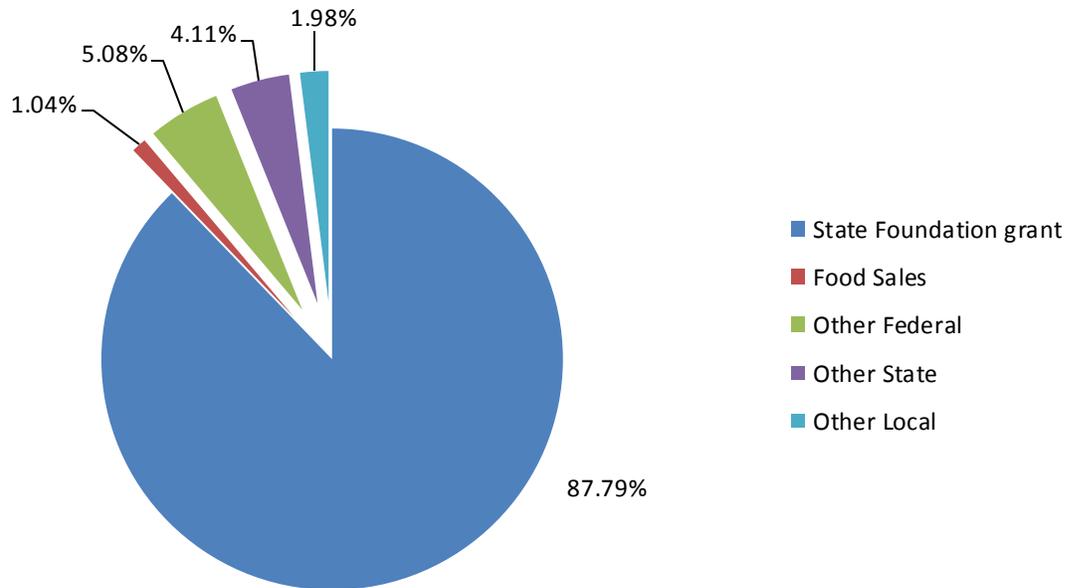
	2017	2018
Assets		
Current assets	\$ 263,467	\$ 252,100
Capital assets, net	-	-
Total Assets	<u>\$ 263,467</u>	<u>\$ 252,100</u>
Liabilities		
Current liabilities	\$ 263,467	\$ 252,100
Non-current liabilities	-	-
Total Liabilities	<u>\$ 263,467</u>	<u>\$ 252,100</u>
Net Position		
Invested in capital assets, net of related debt	\$ -	\$ -
Unrestricted net position	-	-
Total Net Position	<u>\$ -</u>	<u>\$ -</u>

Summary of Results of Operations:

The following summarizes the Academy's results of operations for fiscal year ended June 30, 2017 and 2018:

	2017	2018
Program revenues		
Charges for services	\$ 15,292	\$ 14,513
Federal and State operating grants	199,619	148,881
General revenues		
State aid – unrestricted	1,271,312	1,232,218
Other	<u>2,523</u>	<u>3,260</u>
Total revenues	<u>1,488,746</u>	<u>1,398,872</u>
Expenses		
Instruction	586,408	551,209.17
Support services	844,503	782,831.14
Food service	57,835	64,831.83
Unallocated depreciation	-	-
Total expenses	<u>1,488,746</u>	<u>1,398,872</u>
Change in net position	-	-
Net position – beginning of year	-	-
Net position – end of year	<u>\$ -</u>	<u>\$ -</u>

Oakland Academy Revenues by Source for Fiscal Year Ending 2018



1. State Foundation Grant (State of Michigan Aid, Unrestricted)

The State of Michigan Aid, unrestricted is determined by the following variables:

- a. State of Michigan State Aid Act per student foundation allowance.

The State of Michigan establishes the per student foundation allowance each year. The Oakland Academy foundation allowance for the 2017-18 school year was increased by \$120 to \$7,631 per student.

- b. Student Enrollment: blended at 90% of current year September count and 10% of current school year February count.

The Academy's student enrollment for the September count of 2017-18 was 160 students, a decrease of 7 from the prior year.

<u>Fiscal Year</u>	<u>Student FTE</u>	<u>FTE Change from Prior Year</u>
2017-2018	160.94	(6.36)
2016-2017	167.30	(20.55)
2015-2016	187.85	(30.99)
2014-2015	218.84	(10.41)
2013-2014	229.25	(4.15)

Preliminary enrollments indicate the student FTE will increase slightly for the 2018-2019 school year.

2. Food Service Sales:

The Academy's food and milk sales to students decreased by \$779 from the prior school year. Federal revenue increased by \$6,233 from the prior school year.

3. Other Federal

This category includes federal school meals reimbursement as well as Title I, Title IIA, and Title IV funding.

4. Other State

This category includes state school meals reimbursement as well as state aid at-risk funding, headlee obligation for data collection, early literacy additional instruction time and special education headlee obligation.

5. Other Local

This category includes funding from Grand Valley State University and KRESA special education funding.

Budget & Actual Revenues & Expenditures

Expenditures Budget Vs. Actual

Fiscal Year	Expenditures Original Budget	Expenditures Final Budget	Expenditures Final Actual	Expenditures Favorable (Unfavorable) Variance Actual & Original Budget	Expenditures Favorable (Unfavorable) Variance Actual & Final Budget
2017-2018	1,497,262	1,374,667	1,338,918	11.83%	2.67%
2016-2017	1,561,106	1,434,408	1,433,368	8.18%	(.07%)
2015-2016	1,752,507	1,569,608	1,566,557	10.61%	.19%
2014-2015	1,901,164	1,778,607	1,767,270	7.06%	.82%
2013-2014	1,961,175	1,827,501	1,830,864	6.64%	(0.18%)

Revenue Budget Vs. Actual

Fiscal Year	Revenues Original Budget	Revenues Final Budget	Revenues Final Actual	Revenues Favorable (Unfavorable) Variance Actual & Original Budget	Revenues Favorable (Unfavorable) Variance Actual & Final Budget
2017-2018	1,497,262	1,374,667	1,338,918	(11.83%)	(2.67%)
2016-2017	1,561,106	1,434,408	1,433,368	(8.18%)	(.07%)
2015-2016	1,752,507	1,569,608	1,566,557	(10.61%)	(0.19%)
2014-2015	1,901,164	1,781,575	1,767,270	(7.06%)	(0.82%)
2013-2014	1,961,175	1,827,501	1,830,864	(6.64%)	0.18%

The original budget was amended once during the year. Budget was amended due to:

1. Changes in allocations to prevent budget overruns.

Professional Teaching Staff Changes for 2017-2018 Operations:

	<u>2016-2017</u>	<u>2017-2018</u>	<u>Change</u>
Managing Teachers	9.0	10.0	1.0
Associate Teachers/Para Pros	6.0	3.0	(3.0)

Contacting the Academy’s Financial Management

The financial report is designed to provide our citizens and taxpayers 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 Business Office, Foundation for Behavioral Resources, c/o Oakland Academy, 600 South Lincoln Street, Augusta, MI 49012 or (269) 731-5796.

**OAKLAND ACADEMY
STATEMENT OF NET POSITION
JUNE 30, 2018**

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 3,256
Receivables from other governments	248,844
Other receivables	-
Capital assets - net	-
	<hr/>
Total Assets	<u><u>\$ 252,100</u></u>
LIABILITIES	
Accounts payable	\$ 14,166
Accounts payable - Foundation for Behavioral Resources	191,014
Accrued payroll and other liabilities	46,919
Unearned revenues	-
	<hr/>
Total Liabilities	<u><u>\$ 252,100</u></u>
NET POSITION	
Invested in capital assets	
Net of related debt	\$ -
Unrestricted	-
	<hr/>
Total Net Position	<u><u>\$ -</u></u>

See accompanying notes to financial statements

**OAKLAND ACADEMY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

Functions/Programs	<u>Program Revenues</u>			Governmental Activities
	Expenses	Charges for Services	Operating Grants and Contributions	Net (expenses) Revenue and Changes in Net Position
Primary Government				
Instruction	\$ 551,209	\$ -	\$ 103,440	\$ (447,769)
Support service	782,831	-	-	(782,831)
Food service	64,832	14,513	45,441	(4,878)
Depreciation (unallocated)	-	-	-	-
Total Governmental Activities	<u>\$ 1,398,872</u>	<u>\$ 14,513</u>	<u>\$ 148,881</u>	(1,235,478)
General Revenues				
State Aid Revenues				1,228,133
State Aid Headlee				4,085
Miscellaneous (GVSU)				<u>3,260</u>
Total General Revenues				<u>1,235,478</u>
Change in Net Position				
Net Position - Beginning of Year				<u>-</u>
Net Position - End of Year				<u>\$ -</u>

See accompanying notes to financial statements

**OAKLAND ACADEMY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018**

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 3,256	\$ -	\$ 3,256
Receivables from other governments	248,844	-	248,844
Due From other funds	-	-	-
Other receivables	-	-	-
Total Assets	\$ 252,100	\$ -	\$ 252,100
LIABILITIES			
Accounts payable - current	\$ 14,166	\$ -	\$ 14,166
Accounts payable - Foundation for Behavioral Resources	191,014	-	191,014
Other accrued liabilities	46,919	-	46,919
Due To other funds	-	-	-
Unearned revenues	-	-	-
Total Liabilities	252,100	-	252,100
FUND BALANCES			
Unrestricted	-	-	-
Total Fund Balances	-	-	-
Total Liabilities and Fund Balances	\$ 252,100	\$ -	\$ 252,100

Total Fund Balances \$ -

Amounts reported for governmental activities in the Statement of Net Position are different because:

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

	Acquisition cost of capital assets	22,941	
	Less accumulated depreciation	(22,941)	-
Net Position of Governmental Activities			\$ -

See accompanying notes to financial statements

OAKLAND ACADEMY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues			
Local sources	\$ 27,749	\$ 14,513	\$ 42,262
State sources	1,285,597	-	1,285,597
Federal sources	25,573	45,441	71,013
Total Revenues	1,338,918	59,954	1,398,872
Expenditures			
Current			
Instruction	551,209	-	551,209
Support services	782,831	-	782,831
Food services	-	64,832	64,832
Total Expenditures	1,334,040	64,832	1,398,872
Excess (deficiency) of Revenues Over Expenditures	4,878	(4,878)	-
Other Financing Sources (Uses)			
Transfers in (out)	(4,878)	4,878	-
Total Other Financing Sources (Uses)	(4,878)	4,878	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	-	-	-
Fund Balance - Beginning of Year	-	-	-
Fund Balance - End of Year	\$ -	\$ -	\$ -

Net Change in Fund Balances - Total Governmental Funds \$ -

Amounts reported for governmental activities in the statement of activities are different because:
Governmental funds report capital outlays as expenditures; in the Statement of Activities,
these costs are allocated over the estimated useful lives as depreciation.

	Depreciation expense	-	
	Capital outlay	-	
Change in Net Position of Governmental Activities			\$ -

See accompanying notes to financial statements

OAKLAND ACADEMY
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2018

	<u>Agency Fund Student Activities</u>
ASSETS	
Cash and cash equivalents	<u>\$ 17,987</u>
Total Assets	<u><u>\$ 17,987</u></u>
LIABILITIES	
Due to student groups	<u>\$ 17,987</u>
Total Liabilities	<u><u>\$ 17,987</u></u>

See accompanying notes to financial statements

OAKLAND ACADEMY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Oakland Academy conform to accounting principles generally accepted in the United States of America as applicable to School Districts. The following is a summary of the significant policies:

REPORTING ENTITY

Oakland Academy, located in Portage, Michigan, began its first school year in 1998/1999 as a Public School Academy (PSA) under Michigan State Law. Grand Valley State University Board of Control oversees the PSA for approval of the PSA's Board of Directors, funding, budgeting and most other matters. The PSA serves grades K – 8.

The PSA was organized for the purposes of: 1) improving pupil achievement for all pupils, including, but not limited to, educationally disadvantaged pupils, by improving the learning environment; 2) stimulating innovative teaching methods; 3) creating new professional opportunities for teachers in a new type of public school in which the school structure and educational program can be innovatively designed and managed by teachers at the school site level; 4) achieving school accountability outcomes by placing full responsibility for performance at the school site level; and 5) providing parents and pupils with greater choices among public schools, both within and outside their existing public school districts.

The accompanying basic financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board (GASB) for determining the various governmental organizations to be included in the reporting entity. These criteria include oversight responsibility, scope of public service, and special financing relationships. Based on application of the criteria, the entity does not contain component units.

BASIC FINANCIAL STATEMENTS – DISTRICT-WIDE STATEMENTS

The PSA's basic financial statements include both district-wide (reporting the PSA as a whole) and fund financial statements (reporting the PSA's major funds). District-wide financial statements categorize primary activities as either governmental or business-type. The statements report governmental activities, normally supported by intergovernmental revenues, separately from business-type activities, which rely to a significant extent on fees and charges for support. The PSA has no business-type activities to report.

In the district-wide statement of net position, the governmental activities column consolidates all governmental funds, on a full accrual, economic resource basis, that recognizes all long-term assets and receivables as well as long-term debt and obligations. The PSA's net position consists of three parts – invested in capital assets - net of related debt, restricted net position and unrestricted net position. The PSA first utilizes restricted resources to finance qualifying activities.

The district-wide statement of activities demonstrates the degree to which program revenues offset direct expenses of a given function or segment. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes: 1) charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational requirements of a particular function. General revenues represent intergovernmental payments, and other items not properly included among program revenues.

The PSA does allocate indirect costs. In creating the district-wide financial statements the PSA has eliminated interfund transactions.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

This district-wide focus is more on the sustainability of the PSA as an entity and the change in the PSA's net positions resulting from the current year's activities.

BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS

The accounts of the PSA, organized by funds and account groups, record the operations of each fund 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 upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Governmental Funds - The PSA's functions are financed through the governmental funds. These activities are reflected in the general fund and the special revenue fund.

General Fund – The General Fund records the general operations of the PSA pertaining to education and those operations not provided for in other funds. It includes all transactions related to the approved current operating budget.

Special Revenue Funds – Special Revenue Funds account for the proceeds of specific revenue sources restricted for expenditures of specified purposes. The PSA has one special revenue fund, the Food Services fund. Any operating deficit generated by this fund is the responsibility of the General Fund.

Fiduciary Funds – The PSA's only fiduciary fund is the Student Activities Agency Fund. This fund accounts for assets held by the PSA in a trustee capacity or as an agent, is custodial in nature (assets equal liabilities), and does not involve the measurement of results of operations. This agency fund currently maintained by the District records the transactions of the monies raised for school-related activities. The funds are segregated and held in a trust to benefit the students.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and recorded in the financial statements. The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Revenue recognition occurs for grants, categorical aid and similar items upon meeting all eligibility requirements imposed by the provider.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. Revenue recognition occurs when both "*measurable and available*". Revenue is considered "*available*" if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the PSA considers revenues to be "*available*" if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Unrestricted state aid, intergovernmental grants associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be "*available*" only when cash is received by the PSA.

OAKLAND ACADEMY

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The PSA in addition to receiving unrestricted state aid also receives state revenues to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain categorical funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received that are not expended by the close of the fiscal year are recorded as unearned revenues. Other categorical funding is recognized when the appropriation is received.

Bank deposits - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds". Outstanding balances at the end of the fiscal year for activity between funds representative of lending/borrowing arrangements is referred to as "advances to/from other funds". Any residual balances outstanding between the governmental activities are reported in the district-wide financial statement as "internal balances."

At fiscal year end, any fund balance in the Food Service Fund is shown as Due from the General Fund.

No allowance for uncollectible accounts has been provided. Management has evaluated the accounts and believes they are all collectible.

Capital assets – Capital assets reflects computer equipment. The PSA leases the majority of all computers, furniture, equipment and facilities from the Foundation for Behavioral Resources as discussed below under management agreement. Capital assets with an individual cost of more than \$2,500 and a life of five or more years are recorded at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Software	3 years
Computer equipment	5 years

Accrued liabilities – District-wide financial statements report all payables and accrued liabilities. 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, claims and judgments, the noncurrent portion of compensated absences, contractually required pension contributions and special termination benefits 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.

Compensated Absences - Staff is allocated 10 half-days for personal leave each year and is not permitted to accumulate days from year to year. At June 30, 2018, the liability for compensated absences was immaterial and has not been accrued.

OAKLAND ACADEMY

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Equity – The PSA has adopted Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement makes significant changes to the reporting of fund balance and financial statement classification of various governmental funds. There are five categories as outlined below.

- 1) **Nonspendable fund balance** reflects amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact, e.g., inventories or prepaid expenses.
- 2) **Restricted fund balance** is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments, e.g., school lunch fund monies.
- 3) **Committed fund balance** is reported for amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the Board of Education. A formal resolution of the Board of Education is required to establish, modify or rescind a fund balance commitment.
- 4) **Assigned fund balance** reflects those amounts constrained by the Board's intent to use them for a specific purpose and are neither restricted nor committed. Intent is permitted to be made by the Board itself or an official to whom the Board has delegated the authority to assign amounts to be used for specific purposes.
- 5) **Unassigned fund balance** is reserved for the residual classification for the general fund. It represents fund balance that has not been assigned to other funds, nor restricted, committed or assigned to specific purposes within the general fund.

When the PSA incurs an expenditure for purposes for which various fund balance classifications can be used, it is the government's policy to use restricted fund balance first, then committed fund balance, assigned fund balance, and finally unassigned fund balance.

Accounting Changes – For the year ending June 30, 2013 the Academy implemented the provisions of Governmental Accounting Standards Board Statement 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.

Net Position – Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net positions are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the PSA or through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

Economic dependency – The PSA is dependent on the State of Michigan for operations funding and the FBR for additional funding of over budget expenditures.

Use of estimates – The preparation of the 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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 BUDGETS

The PSA formally adopted General Fund and Food Service Fund budgets by function for the fiscal year ended June 30, 2018. Expenditures at this level in excess of amounts budgeted is a violation of Michigan

OAKLAND ACADEMY

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2 BUDGETS (CONTINUED)

law. Unexpended appropriations lapse at fiscal year-end. During the current year, the budget was amended in a legally permissible manner. The budget has been prepared in accordance with generally accepted accounting principles.

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year, the District incurred no expenditures in certain budgeted funds that were significantly in excess of the amounts appropriated.

The Required Supplementary Information section of these financial statements presents a comparison of actual results of General Fund operations to the budgeted amounts (at the level of control adopted by the Board of Education).

NOTE 3 DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91 (Public Act 20 of 1943, as amended) authorizes the PSA to make deposits and invest in the accounts of federally insured banks, credit unions and savings and loan associations that have an office in Michigan. Section 129.91 also authorizes investment in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The PSA's cash is subject to custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the PSA's deposits may not be fully recoverable. The PSA does not have a deposit policy for custodial credit risk. At year end the PSA's cash is held in a Michigan bank in accordance with statutory authority and all monies are covered by federal depository insurance.

During fiscal year ended June 30, 2018, the PSA did not hold any investments.

NOTE 4 RECEIVABLES

At June 30, 2018 the General Fund reflects amounts due from other governments of:

State Aid from the State of Michigan	\$236,033
Title I	7,694
Title II	399
Title IV	<u>4,718</u>
Total	<u>\$248,844</u>

OAKLAND ACADEMY

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 5 CAPITAL ASSETS

A summary of changes in Governmental Capital Assets follows:

	Balance July 1, <u>2017</u>	<u>Increases</u>	<u>Decreases</u>	Balance June 30, <u>2018</u>
Capital assets being depreciated:				
Equipment	\$22,941	\$ -	\$ -	\$22,941
Less Accumulated depreciation for:				
Equipment	<u>22,941</u>	<u>-</u>	<u>-</u>	<u>22,941</u>
Net capital assets being depreciated:	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Depreciation expense for fiscal year ended June 30, 2018 was \$-0-. Depreciation expense was not allocated to governmental activities as the Academy considers its assets to impact multiple activities and allocation is not practical.

NOTE 6 ACCOUNTS PAYABLE – FOUNDATION FOR BEHAVIORAL RESOURCES

The PSA from time to time borrows monies from the Foundation for Behavioral Resources (discussed in Note 9 – Commitments). These borrowings are in anticipation of state aid payments or to cover deficits in their general fund. Any surplus revenues from the operation of the PSA are due FBR as stated in the management agreement. The liability is expected to be paid in the next year. At June 30, 2018 the PSA's liability to the Foundation for Behavioral Resources was:

	Beginning <u>Balance</u>	<u>Additions</u>	(<u>Reductions</u>)	Ending <u>Balance</u>	Due Within One <u>Year</u>
Due to Foundation for Behavioral Resources	\$200,568	\$1,381,981	(\$1,391,535)	\$191,014	\$191,014

NOTE 7 RISK MANAGEMENT

The PSA is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical and life insurance benefits provided to employees. The PSA has purchased commercial insurance to cover claims. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

OAKLAND ACADEMY

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 8 CONTINGENT LIABILITIES

The PSA participates in a number of federally assisted grant programs. These programs are subject to program compliance audits by the grantor or their representatives. The audits of these programs for or including the year ended June 30, 2018, have not yet been conducted. Accordingly, the PSA's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures that may be disallowed by the granting agencies cannot be determined at this time although the PSA expects such amounts, if any, to be immaterial.

NOTE 9 COMMITMENTS

Management Agreement – The PSA contracted with a related party, the Foundation for Behavioral Resources (FBR), to the extent permitted by law, for the provision of all labor, materials, facilities, equipment and supervision necessary for the provision of educational services to students, and the management, operation and maintenance of the PSA in accordance with the educational goals, curriculum, methods of pupil assessment, admission policy and criteria, school calendar and school day schedule, age and grade range of pupils to be enrolled, educational goals, and method to be used to monitor compliance with performance of targeted educational outcomes, all as adopted by the Board of the PSA and included in the contract between the PSA and Grand Valley State University. Management fees for FBR are calculated based on excess revenues over expenditures. For fiscal year ended June 30, 2018, management fees totaled \$104,461.

The PSA's ten year management agreement with FBR expires on June 30, 2021.

The PSA contracted with Grand Valley State University for oversight of the charter school. For fiscal year ended June 30, 2018, oversight fees totaled \$36,848. The seven year agreement expires at June 30, 2018. A new contract was approved after June 30, 2018, and expires at June 30, 2025.

Leases – The Foundation for Behavioral Resources rents facilities and equipment to the PSA for the sole purpose of operating a public charter school. The PSA has the option to renew the lease annually on July 1. For the fiscal year ended June 30, 2018, lease expense totaled \$258,360.

Interest expense – FBR passes through interest charges to the PSA based on a line of credit in the name of the Foundation. The funds borrowed are variable, based on the needs of the PSA. During 2017-18 there was \$0- interest paid.

NOTE 10 RETIREMENT BENEFITS

The PSA maintains a TIAA/CREF retirement plan for substantially all employees. For fiscal year ended June 30, 2018 the PSA contributed up to \$1,500 for each eligible employee's account and an additional \$1,200 if the employee elected to not take health insurance coverage with a total expense incurred of \$20,896, which included an additional \$2,090 contributed to eligible administrators' accounts.

REQUIRED SUPPLEMENTARY INFORMATION

**OAKLAND ACADEMY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018**

	Original Budget	Amended Budget	Actual	Favorable (Unfavorable) Variance with Amended budget
Resources (inflows)				
Local sources	\$ 57,400	\$ 46,200	\$ 27,749	\$ (18,451)
State sources	1,411,567	1,285,614	1,285,597	(17)
Federal sources	28,295	42,853	25,573	(17,280)
Amounts available for appropriations	1,497,262	1,374,667	1,338,918	(35,749)
Charges to appropriations (outflows)				
Current:				
Instruction:				
Basic programs	667,747	557,856	551,209	6,647
Supporting:				
Pupil	94,643	95,464	84,749	10,715
School administration	231,009	237,252	232,925	4,327
Operation & maintenance	342,762	354,660	351,101	3,559
Fiscal services	161,101	129,435	114,056	15,379
Community activities	-	-	-	-
Transfers to other funds	-	-	4,878	(4,878)
Total expenditures	1,497,262	1,374,667	1,338,918	35,749
Excess (deficiency) of resources over charges to appropriations	-	-	-	-
Fund Balance - Beginning of Year	-	-	-	-
Fund Balance - End of Year	\$ -	\$ -	\$ -	\$ -

See Accompanying Notes to Financial Statements

OTHER SUPPLEMENTARY INFORMATION

OAKLAND ACADEMY

COMBINING BALANCE SHEET OF NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Food Service Fund	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>
ASSETS		
Due from other funds	\$ -	\$ -
	<u> </u>	<u> </u>
FUND BALANCE		
Restricted	\$ -	\$ -
	<u> </u>	<u> </u>

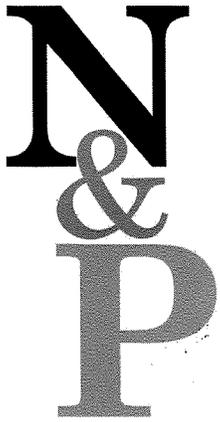
See accompanying notes to financial statements

OAKLAND ACADEMY

**COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

	Food Service Fund	Total Nonmajor Governmental Funds
Revenues		
Local sources	\$ 14,513	\$ 14,513
State sources	-	-
Federal sources	45,441	45,441
Total Revenues	59,954	59,954
Expenditures		
Current	64,832	64,832
Total Expenditures	64,832	64,832
Excess (deficiency) of Revenues Over Expenditures	(4,878)	(4,878)
Operating transfer	4,878	4,878
Fund Balance - Beginning of Year	-	-
Fund Balance - End of Year	\$ -	\$ -

See accompanying notes to financial statements



Norman & Paulsen, P.C.
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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 Education
Oakland 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 Oakland Academy, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Oakland Academy's basic financial statements, and have issued our report thereon dated October 15, 2018.

Internal Control over Financial Reporting

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

Bruce S. A. Gosling, CPA, CVA
Ricky L. Strawser, CPA

Purpose of this Report

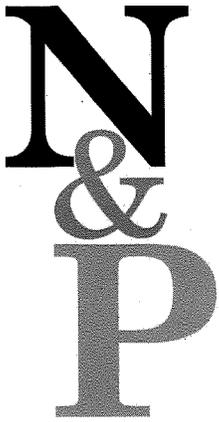
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in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

Norman & Paulsen

Norman & Paulsen, P.C.

Three Rivers, Michigan

October 15, 2018



Norman & Paulsen, P.C.
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October 15, 2018

To the Members of the Board of Education
Oakland Academy

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Oakland Academy for the year ended June 30, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and, *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 22, 2017. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Oakland Academy are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2018. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the Academy's financial statements was.

Management's estimate of the collectability of state aid and federal program revenue and receivables is based on the actual amounts collected in subsequent months. We evaluated the key factors and assumptions used to develop the receivables in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements is Note 9 on commitments:

The disclosure of the financial obligations of the Academy in Note 9 to the financial statements describes the financial commitments related to agreements for oversight, management and lease of facilities.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Bruce S. A. Gosling, CPA, CVA
Ricky L. Strawser, CPA

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 15, 2018.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the Budgetary Comparison Schedule, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on combining statements, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of The Board of Education and management of Oakland Academy and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Norman & Paulsen

Norman & Paulsen, P.C.