

**LEELANAU MONTESSORI PUBLIC
SCHOOL ACADEMY**

**REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)**

YEAR ENDED JUNE 30, 2022

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Leelanau Montessori Public School Academy

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Leelanau Montessori Public School Academy, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Leelanau Montessori Public School Academy's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Leelanau Montessori Public School Academy, as of June 30, 2022, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Leelanau Montessori Public School Academy and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As discussed in Note 11 to the financial statements, in 2022 the Academy adopted new accounting guidance, GASB Statement No. 87, *Leases*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Leelanau Montessori Public School Academy's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Leelanau Montessori Public School Academy's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Leelanau Montessori Public School Academy's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2022 on our consideration of Leelanau Montessori Public School 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 Leelanau Montessori Public School 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 Leelanau Montessori Public School Academy's internal control over financial reporting and compliance.

Maney Costeiran PC

September 23, 2022

MANAGEMENT’S DISCUSSION AND ANALYSIS

This section of Leelanau Montessori Public School Academy’s (Academy) annual financial report presents our discussion and analysis of the public school Academy’s financial performance during the fiscal year that ended on June 30, 2022. Please read it in conjunction with the Academy’s financial statements, which immediately follow this section.

Financial Highlights

- The Academy had an increase in the fund balance in the general fund of \$52,871, compared to a budgeted increase of \$156. This gives the Academy a general fund balance of \$191,429.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

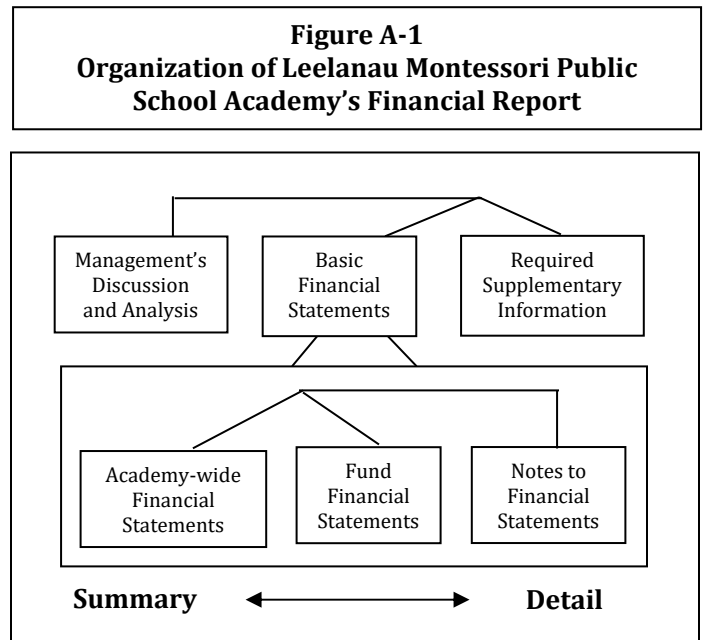


Figure A-2 summarizes the major features of the Academy’s financial statements, including the portion of the Academy’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights the structure and contents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

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

	Academy-wide Statements	Governmental Funds
Scope	Entire academy	All activities of the academy that are not fiduciary
Required financial statements	* Statement of net position * Statement of activities	* Balance sheet * Statement of revenues, expenditures, and changes in fund balances
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial 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
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

Academy-wide Statements

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

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

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

Fund Financial Statements

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

- Some funds are required by State law and by debt agreements.
- The Academy could establish other funds to control and manage money for particular purposes (like capital projects).

The Academy has one kind of fund:

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

Financial Analysis of the Academy as a Whole

Net position - the Academy's combined net position of \$522,943 increased by \$126,406 during the year. See Figures A-3 and A-4.

The total revenues amounted to \$1,273,686. The state aid foundation allowance included in revenue from state sources accounts for approximately 49% of the Academy's revenue.

The total cost of instruction amounted to \$569,391. Total support service amounted to \$453,552. Total community service amounted to \$17,868. Other expenses amounted to \$106,469.

Academy Governmental Activities

Figure A-3		
Leelanau Montessori Public School Academy's Net Position		
	2022	2021*
Current assets	\$ 617,932	\$ 393,988
Capital assets	1,358,737	1,297,771
Total assets	1,976,669	1,691,759
Other liabilities	368,566	243,576
Long-term liabilities	1,027,223	1,051,646
Total liabilities	1,395,789	1,295,222
Deferred inflows of resources	57,937	-
Net position		
Net investment in capital assets	337,964	255,793
Unrestricted	184,979	140,744
Total net position	\$ 522,943	\$ 396,537

*The 2021 figures have not been updated for the adoption of GASB 87.

Figure A-4		
Changes in Leelanau Montessori Public School Academy's Net Position		
	2022	2021*
Revenues		
Program revenues		
Operating grants	\$ 229,512	\$ 186,541
Charges for services	387,224	239,342
Total program revenues	616,736	425,883
General revenues		
State aid - unrestricted	633,222	658,125
Intermediate sources	9,018	17,110
Other	14,710	24,324
Total revenues	1,273,686	1,125,442
Expenses		
Instruction	569,391	504,349
Support services	453,552	391,216
Community service	17,868	11,912
Intergovernmental	30,761	27,597
Interest on long-term debt	65,806	67,357
Unallocated depreciation/amortization	9,902	-
Total expenses	1,147,280	1,002,431
Change in net position	\$ 126,406	\$ 123,011

*The 2021 figures have not been updated for the adoption of GASB 87.

Financial Analysis of the Academy's Funds

The Academy's general fund balance increased by \$52,871. Instruction expenditures amounted to \$572,684 and support service expenditures amounted to \$446,239. Instruction expenditures and support service expenditures increased because of additional grant funding, staffing and programming additions.

General Fund Budgetary Highlights

Over the course of the year, the Academy revised the general fund annual operating budget when necessary. Changes were made in both revenue and expenditures which reflected anticipated increases in state aid, additional grant funding and actual salary figures for staff.

The Academy's final budget for the general fund anticipated revenues would exceed expenditures by \$156. The actual results for the year showed revenues over expenditures of \$52,871.

Actual revenues were \$1,430 more than budgeted.

Actual expenditures were \$51,285 less than budgeted, due primarily to the unspent grants and normal expected variances.

By the end of the year ended June 30, 2022, the Academy had invested \$1,358,737 in capital assets net of accumulated depreciation and amortization as summarized in Figure A-5. This amount represents an increase of \$60,966 from the beginning of the year. Total depreciation and amortization expense for the year was \$47,865. More detailed information about capital assets can be found in Note 4 of the financial statements.

The Academy's capital assets are as follows:

	2022			2021*
	Cost	Accumulated Depreciation/ Amortization	Net Book Value	Net Book Value
Land	\$ 84,828	\$ -	\$ 84,828	\$ 84,828
Construction in progress	-	-	-	4,024
Building and additions	1,328,173	102,994	1,225,179	1,167,228
Land improvements	30,830	3,850	26,980	22,360
Furniture and Equipment	105,503	93,655	11,848	19,331
Right to use - portable classrooms	19,804	9,902	9,902	-
Total	\$ 1,569,138	\$ 210,401	\$ 1,358,737	\$ 1,297,771

*The 2021 figures have not been updated for the adoption of GASB 87.

Long-term Obligations

As of June 30, 2022, the Academy has obligations for compensated absences of \$6,450 and \$1,020,773 of direct borrowing and direct placements. More detailed information about long term debt can be found in Note 5 to the financial statements.

Factors Bearing on the Academy's Future

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

- The per pupil state aid foundation for fiscal year 2022-2023 is \$9,150. This amount is an increase from the 2021-2022 fiscal year. The Academy's fund balance will continue to be a major focus of the board/administration this year as raising our fund balance will allow us to ensure the necessary programming required for the Academy. Ensuring we have adequate funds for building maintenance, growth and operations is an essential consideration to maintain our fund balance.
- There is a continued commitment to develop board and staff capacity that supports student achievement. The goal is to raise student achievement and further enhance the positive perception of the education the Academy provides area students. This will positively impact student retention and the reputation of the Academy.
- The worldwide pandemic has impacted the emotional, financial and political climate creating uncertainty as local, state and national policies impact our operations and obligations. Employment and economic opportunities impact the ability for families to live and work in the region. Demographic trends are unstable though enrollment continues to climb.
- LMPSA received ESSER funds to help offset the cost of operating during a pandemic and to help support the academic integrity during a period of instructional loss.
- The ability to retain and train qualified teachers will continue to be a focus moving forward. The difficulty in finding a teacher who possesses the appropriate state credentials, along with the Montessori training is challenging and costly.
- We are lacking space and square footage for expansion thus limiting our ability to achieve sustainability. LMPSA assumes that expanding early childhood programming will service as a community service and sustain numbers as a feeder program to the Elementary portion of the school.
- Owning the Connie Binsfeld building and securing long-term leases with the current tenants creates financial stability and allows the school to continue focusing on student growth. LMPSA is considering costs of capital expansion and building improvements which will add to the financial pressure of the school.
- Board and management gave consideration to uphold the educational integrity of the program and increased salaries to align with area school teacher salaries and reflect our values as a school.

The Board of Education and management have taken appropriate steps to control cost. Primary consideration was given to maintaining the educational integrity of the program and increasing salaries to align with area schoolteacher salaries.

Contacting the Academy's Financial Management

This financial report is designed to provide our citizens, customers, investors, 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: Leelanau Montessori Public School Academy, 7401 E. Duck Lake Road, Lake Leelanau, MI 49653. We can be reached by phone at (231) 994-2074.

BASIC FINANCIAL STATEMENTS

**LEELANAU MONTESSORI PUBLIC SCHOOL ACADEMY
STATEMENT OF NET POSITION
JUNE 30, 2022**

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 338,768
Receivables	
Accounts receivable	1,987
Leases	58,809
Intergovernmental receivables	208,368
Prepays	10,000
Capital assets not being depreciated	84,828
Capital assets, net of accumulated depreciation/amortization	1,273,909
TOTAL ASSETS	1,976,669
LIABILITIES	
Accounts payable	11,156
Accrued expenditures	99,331
Unearned revenue	258,079
Noncurrent liabilities	
Due within one year	43,723
Due in more than one year	983,500
TOTAL LIABILITIES	1,395,789
DEFERRED INFLOWS OF RESOURCES	
Related to unavailable revenue - leases	57,937
NET POSITION	
Net investment in capital assets	337,964
Unrestricted	184,979
TOTAL NET POSITION	\$ 522,943

See notes to financial statements.

**LEELANAU MONTESSORI PUBLIC SCHOOL ACADEMY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022**

Functions/Programs	Expenses	Program Revenues		Governmental Activities
		Charges for Services	Operating Grants	Net (Expense) Revenue and Changes in Net Position
Governmental activities				
Instruction	\$ 569,391	\$ 272,608	\$ 91,370	\$ (205,413)
Support services	453,552	94,304	130,247	(229,001)
Community service	17,868	20,312	7,895	10,339
Intergovernmental	30,761	-	-	(30,761)
Interest on long-term debt	65,806	-	-	(65,806)
Depreciation/amortization (unallocated)	9,902	-	-	(9,902)
Total governmental activities	<u>\$ 1,147,280</u>	<u>\$ 387,224</u>	<u>\$ 229,512</u>	<u>(530,544)</u>
General revenues				
State sources - unrestricted				633,222
Intermediate sources				9,018
Other				<u>14,710</u>
Total general revenues				<u>656,950</u>
CHANGE IN NET POSITION				126,406
Net position, beginning of year				<u>396,537</u>
Net position, end of year				<u>\$ 522,943</u>

See notes to financial statements.

**LEELANAU MONTESSORI PUBLIC SCHOOL ACADEMY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2022**

	General Fund	Capital Projects	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 338,768	\$ -	\$ 338,768
Receivables			
Accounts receivable	1,987	-	1,987
Leases	58,809	-	58,809
Intergovernmental receivables	208,368	-	208,368
Prepays	10,000	-	10,000
TOTAL ASSETS	\$ 617,932	\$ -	\$ 617,932
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 11,156	\$ -	\$ 11,156
Accrued expenditures	99,331	-	99,331
Unearned revenue	258,079	-	258,079
TOTAL LIABILITIES	368,566	-	368,566
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - Leases	57,937	-	57,937
FUND BALANCES			
Nonspendable			
Prepays	10,000	-	10,000
Assigned			
Subsequent year expenditures	18,955	-	18,955
Unassigned	162,474	-	162,474
TOTAL FUND BALANCES	191,429	-	191,429
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 617,932	\$ -	\$ 617,932
Total governmental fund balances			\$ 191,429
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:			
The cost of the capital assets is		\$ 1,569,138	
Accumulated depreciation/amortization is		(210,401)	
			1,358,737
Long-term liabilities that are not due and payable in the current period and are not reported in the funds:			
Long-term obligations			(1,020,773)
Accumulated compensated absences			(6,450)
Net position of governmental activities			\$ 522,943

See notes to financial statements.

**LEELANAU MONTESSORI PUBLIC SCHOOL ACADEMY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2022**

	General Fund	Capital Projects	Total Governmental Funds
REVENUES			
Local sources	\$ 401,899	\$ -	\$ 401,899
State sources	663,051	-	663,051
Federal sources	188,715	-	188,715
Other	20,021	-	20,021
TOTAL REVENUES	1,273,686	-	1,273,686
EXPENDITURES			
Current			
Instruction			
Basic programs	532,031	-	532,031
Added needs	40,653	-	40,653
Total instruction	572,684	-	572,684
Support services			
Instructional staff	85,363	-	85,363
General administration	34,814	-	34,814
School administration	149,583	-	149,583
Business services	23,857	-	23,857
Operation and maintenance	107,415	-	107,415
Pupil transportation	2,457	-	2,457
Central services	25,790	-	25,790
Other support services	16,960	-	16,960
Total support services	446,239	-	446,239
Community service	17,868	-	17,868
Outgoing transfers and other transactions	36	-	36
Debt service	106,815	-	106,815
Capital outlay	77,173	11,854	89,027
TOTAL EXPENDITURES	1,220,815	11,854	1,232,669
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	52,871	(11,854)	41,017
FUND BALANCES			
Beginning of year	138,558	11,854	150,412
End of year	\$ 191,429	\$ -	\$ 191,429

See notes to financial statements.

**LEELANAU MONTESSORI PUBLIC SCHOOL ACADEMY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022**

Net change in fund balances total governmental funds \$ 41,017

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 their estimated useful lives as depreciation/amortization:

Depreciation/amortization expense	(47,865)
Capital outlay	89,027

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The effect of these differences is the treatment of long-term debt and related items and are as follows:

Payments on debt	41,009
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Compensated absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds:

Accumulated compensated absences, beginning of the year	9,668
Accumulated compensated absences, end of the year	<u>(6,450)</u>

Change in net position of governmental activities \$ 126,406

**LEELANAU MONTESSORI PUBLIC SCHOOL ACADEMY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of 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 nonfiduciary activities of the Academy. *Governmental activities* normally are supported by intergovernmental revenues.

Reporting Entity

Leelanau Montessori Public School Academy (the "Academy") is a public school academy as part of the Michigan Public School System under Public Act No. 362 of 1993. Beginning July 2018, Bay Mills Community College is the authorizing governing body for the Academy and has contracted with the Academy to charter the public school through June 2026 and the Academy's Board of Directors is approved by the authorizing body for the Academy and has decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for the fiscal matters. The Academy receives funding from local, state, and federal sources and must comply with all of the requirements of these funding source entities. However, the Academy is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. In addition, the Academy's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board (GASB) Statements.

Basis of Presentation - Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental funds. Separate financial statements are provided for governmental funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Basis of Presentation - Fund Financial Statements

The fund financial statements provide information about the Academy's funds. Separate statements for each fund category - governmental - are presented. The emphasis of fund financial statements is on major governmental funds. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The Academy reports the following *Major Governmental Funds*:

The *General Fund* is the Academy's primary operating fund. It accounts for all financial resources of the Academy, except those required to be accounted for in another fund.

The *Capital Projects Fund* accounts for the acquisition of capital assets or the construction of major capital projects.

During the course of operations, the Academy has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

**LEELANAU MONTESSORI PUBLIC SCHOOL ACADEMY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation - Fund Financial Statements (continued)

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. 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 generally 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. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

State and federal aid, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end).

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the Academy Aid Act and the Academy Code of Michigan. The Michigan Department of Education administers the allocation of state funds to academies based on information supplied by the Academies. For the current year ended, the foundation allowance was based on pupil membership counts.

**LEELANAU MONTESSORI PUBLIC SCHOOL ACADEMY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting (continued)

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills on Principle Residence Exemption (PRE) property and an allocated portion of state sales and other taxes. The state revenue is recognized during the foundation period and is funded through payments from October to August. Thus, the unpaid portion at June 30 is reported as intergovernmental receivables.

The Academy also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received and accrued, which are not expended by the close of the fiscal year are recorded as unearned revenue.

All other revenue items are generally considered to be measurable and available only when cash is received by the Academy.

Budgetary Information

Budgetary Basis of Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executor) contracts for goods or services (i.e., purchase orders, contracts, and commitments). The Academy does not utilize encumbrance accounting.

The Academy follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. The Superintendent submits to the Academy Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
- b. Prior to July 1, the budget is legally adopted by the Academy Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, in the general fund are noted in the required supplementary information section.
- c. Transfers may be made for budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the Academy Board of Directors.
- d. The budget was amended during the year with supplemental appropriations, the last one approved prior to year-end June 30, 2022. The Academy does not consider these amendments to be significant.

**LEELANAU MONTESSORI PUBLIC SCHOOL ACADEMY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

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 original maturities of three months or less from the date of acquisition.

Prepays

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Capital Assets

Capital assets, which include property, building and technology and equipment as summarized below, are reported in the government-wide financial statements. Capital assets are defined by the Academy as assets with an initial, individual cost of more than \$1,000 and a useful life in excess of one year. Group purchases are evaluated on a case by case basis. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Land and construction in progress, if any, are not depreciated. Right to use assets of the Academy are amortized using the straight-line method over the shorter of the lease period or the estimated useful lives. The other capital assets of the Academy are depreciated using the straight-line method over the following estimated useful lives:

<u>Capital Asset Classes</u>	<u>Lives</u>
Building and additions	20 - 50
Land improvements	20 - 50
Furniture and equipment	5 - 20
Right to use - portable classrooms	3

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The Academy has no items that qualify for reporting in this category.

**LEELANAU MONTESSORI PUBLIC SCHOOL ACADEMY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

Deferred Outflows/Inflows of Resources (continued)

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Academy has one item that qualifies for reporting in this category related to leases. These amounts are long-term leases entered into by the Academy in which the Academy is the lessor. These amounts are recognized as revenue over the term of the lease agreements.

Net Position Flow Assumption

Sometimes the Academy will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Academy's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

Fund Balance Flow Assumptions

Sometimes the Academy will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the Academy's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The Academy itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Academy's highest level of decision-making authority. The Board of Directors is the highest level of decision-making authority for the Academy that can, by adoption of a board action prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the board action remains in place until a similar action is taken (the adoption of another board action) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the Academy for specific purposes but do not meet the criteria to be classified as committed. The board of directors may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

**LEELANAU MONTESSORI PUBLIC SCHOOL ACADEMY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

Leases

Lessee: The Academy is a lessee for a noncancelable lease of equipment. The Academy recognizes a lease liability and an intangible right-to-use lease asset in the government-wide financial statements.

At the commencement of a lease, the Academy initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgements related to leases include how the Academy determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Academy uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Academy generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the Academy is reasonably certain to exercise.

The Academy monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term obligations on the statement of net position

Lessor: The Academy is also a lessor for a noncancelable lease of a building. The Academy recognizes a lease receivable and a deferred inflow of resources in the governmental-wide and governmental fund financial statements.

As the commencement of a lease, the Academy initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payment received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgements include how the Academy determines (1) the discount rate is used to discount the expected lease receipt to present value, (2) lease term, and (3) lease receipts.

- The Academy uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

**LEELANAU MONTESSORI PUBLIC SCHOOL ACADEMY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

Leases (continued)

The Academy monitors changes in circumstances that would require a remeasurement of this lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Revenues and Expenditures/Expenses

Program Revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or segment. Unrestricted state aid, interest, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Compensated Absences

The Academy's policy permits employees to accumulate earned but unused leave days, which are eligible for payment upon separation from service. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary and related benefits, where applicable.

NOTE 2 - CASH DEPOSITS - CREDIT RISK

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, 2022, \$10,595 of the Academy's bank balance of \$354,395 was exposed to custodial credit risk because it was uninsured and uncollateralized. At June 30, 2022, the carrying amount is as follows:

Cash and cash equivalents	<u>\$ 338,768</u>
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NOTE 3 - INTERGOVERNMENTAL RECEIVABLES

As of June 30, 2022, the Academy had the following amounts due from other governmental units:

Federal	\$ 120,370
State	86,008
Intermediate	<u>1,990</u>
	<u>\$ 208,368</u>

No allowance for doubtful accounts is considered necessary.

**LEELANAU MONTESSORI PUBLIC SCHOOL ACADEMY
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 - CAPITAL ASSETS

A summary of changes in the Academy's capital assets follows:

	As Restated Balance July 1, 2021	Additions	Deletions/ Reclassifications	Balance June 30, 2022
Capital assets not being depreciated				
Land	\$ 84,828	\$ -	\$ -	\$ 84,828
Construction in progress	4,024	-	(4,024)	-
Total capital assets not being depreciated	88,852	-	(4,024)	84,828
Capital assets being depreciated/amortized				
Buildings and additions	1,241,232	82,917	4,024	1,328,173
Land improvements	24,720	6,110	-	30,830
Furniture and equipment	105,503	-	-	105,503
Right to use - portable classrooms	19,804	-	-	19,804
Total capital assets being depreciated/amortized	1,391,259	89,027	4,024	1,484,310
Accumulated depreciation/amortization				
Buildings and additions	74,004	28,990	-	102,994
Land improvements	2,360	1,490	-	3,850
Furniture and equipment	86,172	7,483	-	93,655
Right to use - portable classroom	-	9,902	-	9,902
Total accumulated depreciation/amortization	162,536	47,865	-	210,401
Net capital assets being depreciated/amortized	1,228,723	41,162	4,024	1,273,909
Net governmental capital assets	\$ 1,317,575	\$ 41,162	\$ -	\$ 1,358,737

Depreciation/amortization for the fiscal year ended June 30, 2022 amounted to \$47,865 and was charged as follows:

Support services	\$ 7,238
Intergovernmental	30,725
Unallocated	9,902
	<u>\$ 47,865</u>

**LEELANAU MONTESSORI PUBLIC SCHOOL ACADEMY
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - LONG-TERM OBLIGATIONS

The following is a summary of long-term obligations for the Academy for the year ended June 30, 2022:

	Notes from Direct Borrowing and Direct Placements	Compensated Absences	Total
Balance July 1, 2021 as restated	\$ 1,061,782	\$ 9,668	\$ 1,071,450
Deletions	(41,009)	(3,218)	(44,227)
Balance June 30, 2022	1,020,773	6,450	1,027,223
Due within one year	(43,078)	(645)	(43,723)
Due in more than one year	\$ 977,695	\$ 5,805	\$ 983,500

Long-term obligations at June 30, 2022 are comprised of the following issues:

Notes from Direct Borrowings and Direct Placements

Building note - June 2018 purchase and renovation of a building. Interest payments due beginning July 22, 2018, for one year and then the loan will be due in monthly installments of \$8,073 beginning July 22, 2019 through September 22, 2039. The maximum principal amount secured by this instrument at any one time will not exceed \$1,092,000. The mortgage bears interest of 3.50% above a United States Treasury five year index rate for an actual interest rate of 6.30%. The interest rate will change every five years from the loan anniversary date based on the adjustment of this index.

\$ 1,010,969

Portable classrooms - During the 2020 fiscal year, the Academy entered into a three-year lease agreement as lessees for the use of two portable classrooms. An initial liability was recorded in the amount of \$19,804 during the current fiscal year. As of June 30, 2022, the value of the lease liability was \$9,804. Due in one payment of \$10,000, including interest, with and interest rate of 2%.

9,804

Total notes from direct borrowings

1,020,773

Compensated absences

6,450

Total general long-term obligations

\$ 1,027,223

**LEELANAU MONTESSORI PUBLIC SCHOOL ACADEMY
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - LONG-TERM OBLIGATIONS (continued)

The Academy's outstanding notes from direct borrowings and direct placements related to governmental activities of \$1,020,773 contains provisions that in an event of default, either by (1) unable to make principal or interest payments (2) false or misrepresentation is made to the lender (3) become insolvent or make an assignment for the benefit of its creditors (4) if the lender at any time in good faith believes that the prospect of payment of any indebtedness is impaired. Upon the occurrence of any default event, the outstanding amounts, including accrued interest become immediately due and payable.

The annual requirements to amortize long-term obligations outstanding exclusive of compensated absences payments as of June 30, 2022, are as follows:

<u>Year Ending June 30,</u>	<u>Notes from Direct Borrowings and Direct Placements</u>		<u>Compensated Absences</u>	<u>Total</u>
	<u>Principal</u>	<u>Interest</u>		
2023	\$ 43,078	\$ 63,408	-	\$ 106,486
2024	35,293	61,585	-	96,878
2025	37,784	59,094	-	96,878
2026	40,270	56,608	-	96,878
2027	42,918	53,960	-	96,878
2028-2032	260,556	223,834	-	484,390
2033-2037	358,517	125,873	-	484,390
2038-2040	202,357	15,931	-	218,288
	1,020,773	660,293	-	1,681,066
Compensated absences	-	-	6,450	6,450
	<u>\$ 1,020,773</u>	<u>\$ 660,293</u>	<u>\$ 6,450</u>	<u>\$ 1,687,516</u>

Interest expense for the year ended June 30, 2022 was \$65,595.

NOTE 6 - OVERSIGHT FEES

The Academy pays an administrative oversight fee of 3% of its state school aid to the Bay Mills Community College, as set forth by contract, to reimburse Bay Mills Community College for the cost of execution of its oversight responsibilities. These oversight responsibilities include the monitoring of the Academy's compliance with the terms and conditions of the contract, and the review of its audited financial statements and periodic reports. During the year ended June 30, 2022, the Academy incurred expense of \$19,863 for oversight fees.

NOTE 7 - MANAGEMENT AGREEMENT

The Academy had entered into an annual (renewable at the end of each twelve month period) management agreement with Traverse City Area Public Schools for operations of the Academy. Under the terms of the management agreement, TCAPS' compensation for operating the Academy was \$17,500 for the fiscal year 2022.

**LEELANAU MONTESSORI PUBLIC SCHOOL ACADEMY
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - RISK MANAGEMENT

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. To minimize the risk, the Academy carries commercial insurance.

NOTE 9 - CONTINGENT LIABILITIES

Amounts received or receivable from grant agencies are subject to audit and adjustments by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the Academy expects such amounts, if any, to be immaterial.

NOTE 10 - UPCOMING ACCOUNTING PRONOUNCEMENT

In May 2020, the GASB issued Statement No. 96, *Subscription-based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The Academy is currently evaluating the impact this standard will have on the financial statements when adopted during the 2022-2023 fiscal year.

NOTE 11 - CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2022, the Academy implemented the following new pronouncement: GASB Statement No. 87, *Leases*.

Summary:

Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, was issued by the GASB in June 2017. The objective of this Statement is to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use the underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

**LEELANAU MONTESSORI PUBLIC SCHOOL ACADEMY
NOTES TO FINANCIAL STATEMENTS**

NOTE 11 - CHANGE IN ACCOUNTING PRINCIPLE (continued)

The restatement of the beginning of year had no impact on net position. The changes to capital assets and long-term obligations are as follows:

	Capital Asset	Long-term Obligations
Balances as of July 1, 2021, as previously stated	\$ 1,297,771	\$ 1,051,646
Adoption of GASB Statement No. 87	19,804	19,804
Balances as of July 1, 2021, as restated	\$ 1,317,575	\$ 1,071,450

NOTE 12 - LEASE RECEIVABLE

The Academy leases building space to a third-party. The lease is for a period of five years and expires on June 30, 2023. During the remaining period of the lease, the Academy will receive monthly payments ranging from \$4,905 to \$4,954. The Academy recognized \$57,936 in lease revenue and \$1,796 in interest revenue during the fiscal year related to this lease. As of June 30, 2022, the Academy's receivable for lease payments was \$58,809. Also, the Academy has deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term. As of June 30, 2022, the balance of the deferred inflow of resources was \$57,937.

REQUIRED SUPPLEMENTARY INFORMATION

**LEELANAU MONTESSORI PUBLIC SCHOOL ACADEMY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2022**

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Local sources	\$ 337,700	\$ 381,626	\$ 401,899	\$ 20,273
State sources	744,828	664,466	663,051	(1,415)
Federal sources	104,472	207,179	188,715	(18,464)
Other	20,570	18,985	20,021	1,036
TOTAL REVENUES	<u>1,207,570</u>	<u>1,272,256</u>	<u>1,273,686</u>	<u>1,430</u>
EXPENDITURES				
Instruction				
Basic programs	576,124	563,328	532,031	31,297
Added needs	55,282	53,836	40,653	13,183
Total instruction	<u>631,406</u>	<u>617,164</u>	<u>572,684</u>	<u>44,480</u>
Support services				
Pupil	1,000	1,000	-	1,000
Instructional staff	53,600	73,852	85,363	(11,511)
General administration	41,251	39,146	34,814	4,332
School administration	142,455	158,880	149,583	9,297
Business services	26,100	24,200	23,857	343
Operation and maintenance	104,700	113,700	107,415	6,285
Pupil transportation	2,000	3,500	2,457	1,043
Central services	26,905	25,275	25,790	(515)
Other support services	7,500	20,000	16,960	3,040
Total support services	<u>405,511</u>	<u>459,553</u>	<u>446,239</u>	<u>13,314</u>
Community service	6,496	20,071	17,868	2,203
Outgoing transfers and other transactions	1,000	1,100	36	1,064
Debt service	97,000	97,000	106,815	(9,815)
Capital outlay	65,970	77,212	77,173	39
TOTAL EXPENDITURES	<u>1,207,383</u>	<u>1,272,100</u>	<u>1,220,815</u>	<u>51,285</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ 187</u>	<u>\$ 156</u>	52,871	<u>\$ 52,715</u>
FUND BALANCE				
Beginning of year			<u>138,558</u>	
End of year			<u>\$ 191,429</u>	



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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 Directors
Leelanau Montessori Public School Academy

We have audited, 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, the financial statements of the governmental activities and each major fund of Leelanau Montessori Public School Academy as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Leelanau Montessori Public School Academy's basic financial statements and have issued our report thereon dated September 23, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Leelanau Montessori Public School 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 Leelanau Montessori Public School Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of Leelanau Montessori Public School 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 or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Leelanau Montessori Public School 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.

Maney Costainan PC

September 23, 2022



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September 23, 2022

To the Board of Directors
Leelanau Montessori Public School Academy

In planning and performing our audit of the financial statements of Leelanau Montessori Public School Academy as of and for the year ended June 30, 2022, in accordance with auditing standards generally accepted in the United States of America, we considered Leelanau Montessori Public School Academy's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, during our audit, we noted certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated September 23, 2022 on the financial statements of Leelanau Montessori Public School Academy. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies.

We will be pleased to discuss these comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations. Our comments are summarized as follows:

Repeat Comments

Positive Pay Service

The Academy should consider implementing a positive pay service from their bank. Positive pay is a fraud deterrent service offered by banks that allows commercial customers to monitor and control the payment of checks. It also provides assurance that presented items have not been altered. The customer provides the bank with an electronic listing of all disbursements. Each check presented for payment is compared to this database (check number, amount, payee, date, etc.), and any checks that do not match exactly are placed on an exception listing. The exceptions are available for review daily, usually online, so the customer may make a final determination of payment. More information about this service is available from most commercial banks.

We noted that certain employees in the business office can initiate and release electronic transactions without a second review or approval. We recommend the Academy implement controls over transfers and ACH transactions that require a dual approval process.

Review of Vendors

During our review of the cash disbursements process, we noted a few items that would help improve internal controls in this area. First, when a new vendor is added to the system, a search for the vendor should be performed on the website www.sam.gov which contains all of the federal debarred vendors. Second, the vendor list should be reviewed at least annually in order to search for any unusual or improper vendors.

Long Range Plan and Disaster Recovery Plan

The Academy has network backup and recovery procedures. We recommend the Academy leverage these procedures and develop a more comprehensive written disaster recovery plan. The time to make contingency plans is before disaster strikes, so that all personnel will be aware of their responsibilities in the event of an emergency situation that precludes the use of the existing procedures. We suggest that management develop a disaster recovery plan that includes, but is not limited to, the following matters:

- Location of, and access to, off-site storage.
- A listing of all data files that would have to be obtained from the off-site storage location.
- Identification of a back-up location (name and telephone number) with similar or compatible equipment for emergency processing (management should make arrangements for such back-up with another company, a computer vendor, or a service center; the agreement should be in writing).
- Responsibilities of various personnel in an emergency.
- Priority of critical applications and reporting requirements during the emergency period.
- Documentation of personnel assignments and manual alternative procedures to be implemented until the automated systems can be brought back online.

Policies and Procedures

We noted that the Academy does not have a formal accounting procedures manual. Written procedures, instructions, and assignments of duties will prevent or reduce misunderstandings, errors, inefficient or wasted effort, duplicated or omitted procedures, and other situations that can result in inaccurate or untimely accounting records.

A well-devised accounting manual can also help to ensure that all similar transactions are treated consistently, that accounting principles used are proper, and that records are produced in the form desired by management. A good accounting manual should aid in the training of new employees and possibly allow for delegation to other employees of some accounting functions management performs. We recommend the Academy implement a formal accounting policies and procedures manual detailing the process each business services employee completes when performing their job functions.

We also recommend that the Academy implement written policies and procedures for their federal programs, investments, and documented fixed asset capitalization policy. The MDE website has several templates available to assist districts in improving their federal policies and procedures. For investments, we recommend implementing a policy to be in compliance with GASB Statement No. 40. A capitalization policy provides clear guidelines on which expenditures should be added as fixed assets.

Payroll Procedures

During our review of payroll procedures, we noted an instance where internal controls could be improved. The payroll register should be reviewed by someone who does not have the authority to tell Axios to add an employee or change an employee's wage rate. This review should be performed with each payroll and should be documented by initialing the payroll register.

This report is intended solely for the information and use of Leelanau Montessori Public School Academy, management, and others within the Academy and is not intended to be, and should not be, used by anyone other than these specified parties.

We appreciate the cooperation we received from your staff during our engagement and the opportunity to be of service.

Very truly yours,

Maney Costeiran PC



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September 23, 2022

To the Board of Directors
Leelanau Montessori Public School Academy

We have audited the financial statements of Leelanau Montessori Public School Academy for the year ended June 30, 2022, and have issued our report thereon dated September 23, 2022. Professional standards require that we provide you with the following information related to our audit.

Our Responsibilities under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of Leelanau Montessori Public School Academy. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Leelanau Montessori Public School Academy's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Leelanau Montessori Public School Academy are described in Note 1 to the financial statements. During fiscal year 2022, the school implemented Governmental Accounting Standard No. 87, *Leases*. The application of existing policies was not changed during 2022. We noted no transactions during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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 estimates affecting the financial statements were:

We evaluated the key factors and assumptions used to develop the estimated life span of the capital assets in determining that it is reasonable in relation to the financial statements taken as a whole. In addition, certain amounts included in capital assets have been estimated based in an outside appraisal company.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

We did not identify any sensitive disclosures.

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 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 the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' 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 September 23, 2022.

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 Leelanau Montessori Public School Academy's financial statements or a determination of the type of auditors' 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 Leelanau Montessori Public School Academy'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 Information in Documents Containing Audited Financial Statements

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, 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.

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

Very truly yours,

Maney Costeiman PC