

Audited Financial Statements

Grand Traverse Academy

Traverse City, Michigan

June 30, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Grand Traverse Academy

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Grand Traverse Academy as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Grand Traverse Academy's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Grand Traverse Academy, as of June 30, 2019, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Grand Traverse Academy's basic financial statements. The combining and individual nonmajor fund financial statements, and schedules of revenues and expenditures, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, and schedules of revenues and expenditures, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, and schedules of revenues and expenditures, are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2019, on our consideration of the Grand Traverse Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Grand Traverse Academy's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Grand Traverse Academy's internal control over financial reporting and compliance.



Croskey Lanni, PC

Rochester, Michigan
October 30, 2019





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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Grand Traverse Academy, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Grand Traverse Academy's basic financial statements, and have issued our report thereon dated October 30, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Grand Traverse Academy's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Grand Traverse Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of Grand Traverse Academy's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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


Crosby Lanni, PC

Rochester, Michigan
October 30, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Grand Traverse Academy's annual financial report presents our discussion and analysis of the Academy's financial performance during the fiscal year that ended on June 30, 2019. Please read it in conjunction with the Academy's financial statements, which immediately follow this section.

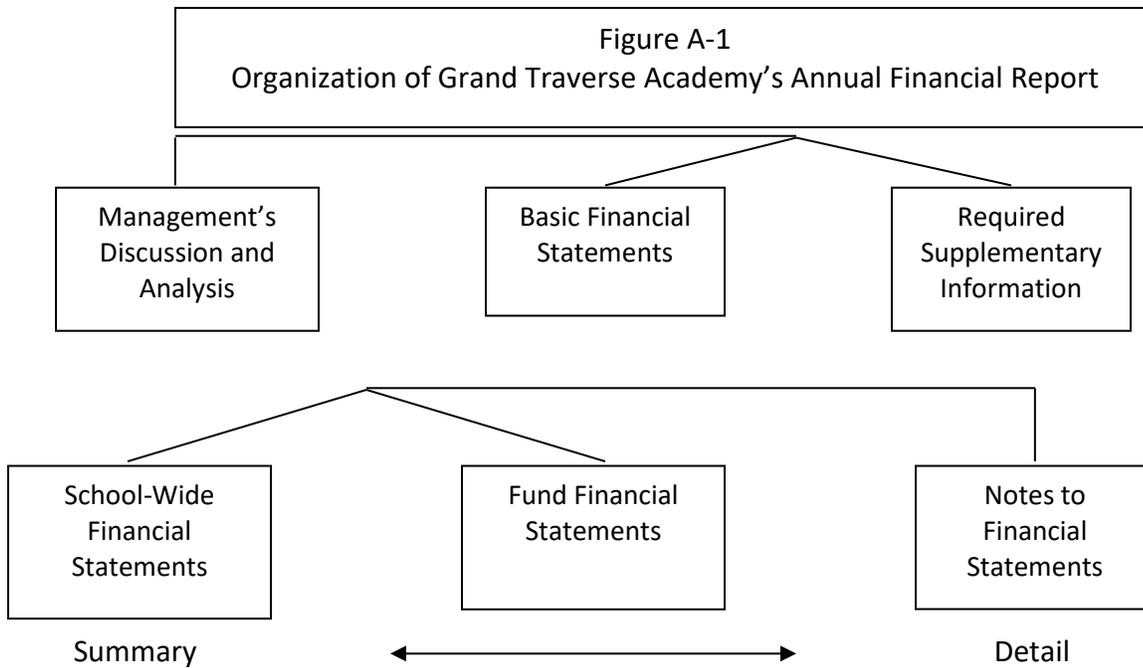
FINANCIAL HIGHLIGHTS

- ❖ The total cost of basic programs as reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance for the year ended June 30, 2019 was \$3,319,441.
- ❖ General fund revenues, expenditures and transfers-out were at \$8,095,462, \$6,741,407 and \$1,198,597, respectively for the year ended June 30, 2019.
- ❖ Blended enrollment used for state aid purposes was approximately 912 students for fiscal year ended June 30, 2019.
- ❖ The Academy invested \$20,618 in capital assets during the year ended June 30, 2019. These expenditures were comprised principally of the following: fire panels and installation and new Information Technology servers. Total capital assets net of depreciation as of June 30, 2019 are \$8,265,642.
- ❖ The Academy has long-term liabilities of \$12,921,093 at June 30, 2019 which are due in future periods.
- ❖ The Academy has a positive General Fund balance of \$1,037,715 as of June 30, 2019. The fund balance has increased from \$882,257 from FY18, representing income of \$155,458 in FY19.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- ❖ The first two statements are school-wide financial statements that provide both short-term and long-term information about the Academy's overall financial status.
- ❖ The remaining statements are fund financial statements that focus on individual parts of the Academy, reporting the Academy's operations in more detail.
- ❖ The governmental fund statements tell how basic services like regular and special education were financed.
- ❖ Fiduciary funds statements provide information about the financial relationships in which the Academy acts solely as a trustee or agent for the benefit of others. These consist of student activity funds held by the Academy on behalf of the student group.



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

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

	School-Wide Statements	Government Funds	Fiduciary Funds (Not Applicable to GTA in FY16)
Scope	Entire Academy (except fiduciary funds)	The activities of the Academy that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the Academy administers resources on behalf of someone else, such as scholarship programs and student activities monies.
Required financial statements	*Statement of net position *Statement of activities	*Balance sheet *Statement of revenues, expenditures and changes in fund balances	*Statement of fiduciary net position *Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets or long-term liabilities included.	All assets and liabilities, both short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable.	All additions and deductions during the year, regardless of when cash is received or paid.

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

SCHOOL-WIDE STATEMENTS

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

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

- ❖ Over time, increases or decreases in the Academy’s assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- ❖ To assess the overall health of the Academy, you need to consider additional non-financial factors such as changes in the Academy’s enrollment and the condition of buildings and other facilities.

FUND FINANCIAL STATEMENTS

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

- ❖ *Governmental activities* – Most of the Academy’s basic services are included in the general fund, such as regular and special education and administration. State foundation aid finances most of these activities.
- ❖ The Academy establishes other funds to control and manage money for particular purposes (like repaying its long-term debts) or to show that it is properly using certain revenues. Grand Traverse Academy records these funds in a debt service fund.
- ❖ During fiscal year end June 30, 2019, the Academy established a Capital Projects Fund to be used to account for reserves which are periodically transferred into the Fund for the payment of capital expenditures, repairs and maintenance.
- ❖ The academy has also established an agency fund which accounts for funds held by the academy for the benefit of others such as Academy organizations, classroom accounts, field trips, etc.

The Academy has one kind of fund:

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

FINANCIAL ANALYSIS OF THE ACADEMY AS A WHOLE

GTA continues to support high quality professional development and resources to support the education of the whole child including professional development through the William Glasser Institute for Choice Theory and Character Education, as well as partnerships with Traverse Bay Area Intermediate School District and Lake Superior State University to support all academic areas, including STEM (Science, Technology, Engineering, and Math) through Project Lead the Way.

Table A-3 – Summary of the Academy’s Net Position (Deficit) Comparing Fiscal Years 2019 and 2018

Change in Net Deficit – Revenues and Expenditures reported in the Statement of Activities for the year ended June 30, 2019 amounted to \$8,114,418 and \$7,751,609, respectively. This resulted in revenues in excess of expenditures of \$362,809. Table A-4 presents a summary of the changes in net position for the fiscal years ended June 30, 2019 and 2018.

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

	2019	2018
Current assets	\$ 3,951,922	\$ 4,291,371
Capital assets	8,265,642	8,581,269
Deferred outflows	808,617	856,182
Total assets and deferred outflows	<u>13,026,181</u>	<u>13,728,822</u>
Long-term debt outstanding	12,921,093	13,384,360
Other liabilities	<u>1,473,835</u>	<u>2,076,018</u>
Total liabilities and deferred inflows	14,394,928	15,460,378
Net position (deficit):		
Net investment (deficit) in capital assets	(4,655,451)	(4,803,091)
Restricted	1,627,327	1,534,576
Unrestricted	<u>1,659,377</u>	<u>1,536,959</u>
Total net position (deficit)	<u>\$ (1,368,747)</u>	<u>\$ (1,731,556)</u>

Table A-4 – Summary of the Changes in Net Deficit Comparing Fiscal Years 2019 and 2018

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

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

	<u>2019</u>	<u>2018</u>
Revenues:		
Program revenues:		
Charges for services	\$ 207,600	\$ 233,738
Federal and state operating grants	770,987	431,335
General revenues:		
State aid - unrestricted	7,033,256	8,343,570
Miscellaneous	<u>102,575</u>	<u>205,349</u>
Total revenues	<u>8,114,418</u>	<u>9,213,992</u>
Expenses:		
Instruction	3,969,112	4,499,985
Support services	2,765,098	2,908,320
Interest on long-term debt	633,589	658,224
Depreciation and amortization	<u>383,810</u>	<u>383,057</u>
Total expenses	<u>7,751,609</u>	<u>8,449,586</u>
Change in net position (deficit)	<u>\$ 362,809</u>	<u>\$ 764,406</u>

General Fund Budgetary Analysis

For the year ended June 30, 2019, the Academy approved and amended its annual operating budget as needed in the normal course of its operations. Actual general fund expenditures were under budget by \$132,321. General Fund expenditures were under budget as a result of cost cutting and an overall effort to budget realistically according to the Academy’s revenues. The Academy is self-managed using a contracted Chief Financial Officer as well as Payroll and Human Resources service provider for the Academy.

Financial Outlook

Grand Traverse Academy’s financial forecast continues to be optimistic heading into the 2019-2020 academic year.

- ❖ Self-management was accomplished by contracting with a Professional Employment Organization to handle all human resources matters and a Public Accounting Firm to perform contract Chief Financial Officer services.
- ❖ Enrollment has decreased from 895 students in the Spring of 2019 to 876 students in Fall of 2019 due to several factors (i.e. change in the Academy age population demographics that are located in the Academy’s service area, a more competitive landscape in the Academy’s geographical area providing K-12 education, and choices made by parents to pursue their education elsewhere). As a result, nineteen educators have separated service from the Academy and sixteen were hired to provide appropriate staffing for the upcoming academic year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2019, GTA had invested \$8,265,642, net of accumulated depreciation, in a wide variety of areas.

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

	Balance June 30, 2019	Balance June 30, 2018
Land	\$ 770,000	\$ 770,000
Building and improvements	10,564,608	10,564,608
Furniture, equipment and computers	<u>2,841,715</u>	<u>2,821,097</u>
Subtotal	14,176,323	14,155,705
Less: accumulated depreciation	<u>5,910,681</u>	<u>5,574,436</u>
Net book value of assets	<u>\$ 8,265,642</u>	<u>\$ 8,581,269</u>

All outstanding debt obligations are being paid according to terms.

FACTORS BEARING ON THE ACADEMY'S FUTURE

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

CONTACTING THE ACADEMY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our students, parents and creditors with a general overview of the Academy's finances and to demonstrate the Academy's accountability for the money it receives. If you have questions about this report or need additional information, contact the Academy's management office at:

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

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

GRAND TRAVERSE ACADEMY

STATEMENT OF NET POSITION (DEFICIT) JUNE 30, 2019

ASSETS AND DEFERRED OUTFLOWS

Current Assets

Cash and cash equivalents	\$ 887,183
Investments - restricted for debt service and capital projects	1,627,327
Accounts receivable	4,834
Due from other governmental units	1,380,907
Due from agency funds	959
Prepaid expenses	50,712
	<hr/>
Total current assets	3,951,922

Capital Assets - Net of Accumulated Depreciation

8,265,642

Total assets 12,217,564

Deferred Outflows

Deferred loss on debt refunding	808,617
	<hr/>
Total assets and deferred outflows	\$ 13,026,181

LIABILITIES, DEFERRED INFLOWS AND NET POSITION (DEFICIT)

Current Liabilities

Accounts payable	\$ 238,497
Notes payable	775,000
Unearned revenue	81,560
Other accrued expenses	378,778
Long-term debt - current portion	457,652
	<hr/>
Total current liabilities	1,931,487

Long-Term Debt - Long-Term Portion

12,463,441

Net Position (Deficit)

Net investment (deficit) in capital assets	(4,655,451)
Restricted for debt services and capital projects	1,627,327
Unrestricted	1,659,377
	<hr/>
Total net position (deficit)	(1,368,747)

Total liabilities, deferred inflows and net position (deficit) \$ 13,026,181

See accompanying notes to financial statements

GRAND TRAVERSE ACADEMY

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2019

		Program Revenues		Net (Expense) Revenues and Changes in Net Position
	Expenses	Charges for Services	Operating Grants	Government Type Activities
Functions				
Instruction				
Basic programs	\$ 3,316,076	\$ 152,222	\$ 16,573	\$ (3,147,281)
Added needs	653,036	-	646,266	(6,770)
Support services				
Pupil support services	89,367	-	79,631	(9,736)
Instructional staff support services	236,032	-	18,280	(217,752)
General administration	578,827	-	-	(578,827)
School administration	902,652	-	8,084	(894,568)
Business support services	112,089	-	-	(112,089)
Operations and maintenance	668,543	-	-	(668,543)
Pupil transportation services	912	-	912	-
Central support services	67,712	-	-	(67,712)
Athletic activities	107,723	55,378	-	(52,345)
Community services	1,241	-	1,241	-
Unallocated depreciation / amortization	383,810	-	-	(383,810)
Unallocated interest	633,589	-	-	(633,589)
	<u>\$ 7,751,609</u>	<u>\$ 207,600</u>	<u>\$ 770,987</u>	<u>(6,773,022)</u>
General Purpose Revenues				
State school aid - unrestricted				7,033,256
Earnings on investments				32,351
Miscellaneous revenues				70,224
				<u>7,135,831</u>
Change in net position				362,809
Net position (deficit) - July 1, 2018				<u>(1,731,556)</u>
Net position (deficit) - June 30, 2019				<u>\$ (1,368,747)</u>

See accompanying notes to financial statements

GRAND TRAVERSE ACADEMY

COMBINED BALANCE SHEET – ALL GOVERNMENTAL FUNDS JUNE 30, 2019

ASSETS

	General	Debt Service	Non-Major Capital Projects	Total
Cash and cash equivalents	\$ 887,183	\$ -	\$ -	\$ 887,183
Investments	-	1,627,327	-	1,627,327
Accounts receivable	4,834	-	-	4,834
Due from other governmental units	1,380,907	-	-	1,380,907
Due from agency funds	959	-	-	959
Due from other funds	-	-	100,000	100,000
Prepaid expenses	50,712	-	-	50,712
Total assets	\$ 2,324,595	\$ 1,627,327	\$ 100,000	\$ 4,051,922

LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE

Liabilities

Accounts payable	\$ 238,497	\$ -	\$ -	\$ 238,497
Notes payable	775,000	-	-	775,000
Due to other funds	100,000	-	-	100,000
Unearned revenue	81,560	-	-	81,560
Other accrued expenses	90,053	-	-	90,053
Total liabilities	1,285,110	-	-	1,285,110

Deferred Inflows of Resources

- Unavailable Revenue	1,770	-	-	1,770
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Fund Balance

Nonspendable	50,712	-	-	50,712
Restricted	-	1,627,327	100,000	1,727,327
Unassigned	987,003	-	-	987,003
Total fund balance	1,037,715	1,627,327	100,000	2,765,042

Total liabilities, deferred inflows and
fund balance

	\$ 2,324,595	\$ 1,627,327	\$ 100,000	\$ 4,051,922
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See accompanying notes to financial statements

GRAND TRAVERSE ACADEMY

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

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

Total Governmental Fund Balances	\$ 2,765,042
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$14,176,323 and the accumulated depreciation is \$5,910,681.	8,265,642
Losses on issuance of refunding bonds are reported as a deferred outflow of resources and amortized over the life of the bonds in the statement of net position	808,617
Deferred inflows of resources (unavailable revenue) not available to benefit the current period and are not reported in the statement of net position	1,770
Accrued vacation time is not payable until due in governmental activities and, therefore, is not recorded in the funds.	(135,167)
Accrued settlement costs are not payable until due in governmental activities and, therefore, is not recorded in the funds.	(50,000)
Interest is not payable until due in governmental activities and, therefore, is not recorded in the funds.	(103,558)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(12,921,093)</u>
Net Position (Deficit) of Governmental Activities	<u>\$ (1,368,747)</u>

See accompanying notes to financial statements

GRAND TRAVERSE ACADEMY

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

	General	Debt Service	Non-Major Capital Projects	Total
Revenues				
Local sources	\$ 291,219	\$ 30,628	\$ -	\$ 321,847
State sources	7,472,970	-	-	7,472,970
Federal sources	190,098	-	-	190,098
Interdistrict sources	141,175	-	-	141,175
	8,095,462	30,628	-	8,126,090
Expenditures				
Instruction				
Basic programs	3,319,441	-	-	3,319,441
Added needs	646,266	-	-	646,266
Support services				
Pupil support services	89,367	-	-	89,367
Instructional staff support services	232,942	-	-	232,942
General administration	528,827	-	-	528,827
School administration	884,857	-	-	884,857
Business support services	109,202	2,887	-	112,089
Operations and maintenance	668,543	-	-	668,543
Pupil transportation services	912	-	-	912
Central support services	67,712	-	-	67,712
Athletic activities	107,723	-	-	107,723
Community services	1,241	-	-	1,241
Capital outlay	20,618	-	-	20,618
Debt principal and interest	63,756	1,036,475	-	1,100,231
	6,741,407	1,039,362	-	7,780,769
Excess (deficiency) of revenues over expenditures	1,354,055	(1,008,734)	-	345,321
Other Financing Sources (Uses)				
Operating transfers in	-	1,098,597	100,000	1,198,597
Operating transfers out	(1,198,597)	-	-	(1,198,597)
	(1,198,597)	1,098,597	100,000	-
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	155,458	89,863	100,000	345,321
Fund balance - July 1, 2018	882,257	1,537,464	-	2,419,721
Fund balance - June 30, 2019	\$ 1,037,715	\$ 1,627,327	\$ 100,000	\$ 2,765,042

See accompanying notes to financial statements

GRAND TRAVERSE ACADEMY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2019

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

Net Change in Fund Balances - Total Governmental Funds	\$	345,321
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation and amortization expense. This is the amount by which capital outlays exceeded depreciation and amortization in the current period.

Capital outlay	\$	20,618	
Depreciation and amortization expense		(336,245)	(315,627)

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

Amortization of bond premium	\$	1,683	
Amortization of deferred loss on refunding		(47,565)	(45,882)

Revenue is reported in the statement of activities when earned, but not reported in the funds until collected or collectible within 60 days of year end	(11,672)
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Expenses are reported in the statement of activities when earned, but not reported in the funds until payable in the current period	(74,290)
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The governmental funds report loan proceeds as an other financing source, while repayment of loan principal is reported as an expenditure. Interest is recognized as an expenditure in the governmental funds when it is due. The net effect of these differences in the treatment of general loan obligations is as follows:

Repayment of loan principal	\$	461,584	
Interest expense		3,375	464,959

Change in Net Position (Deficit) of Governmental Activities	\$	362,809
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See accompanying notes to financial statements

GRAND TRAVERSE ACADEMY

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2019

ASSETS

Cash and cash equivalents	\$ 56,028
Total assets	<u>\$ 56,028</u>

LIABILITIES

Due to general fund	\$ 959
Due to student groups	<u>55,069</u>
Total liabilities	<u>\$ 56,028</u>

GRAND TRAVERSE ACADEMY

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

Grand Traverse Academy was formed as a public school academy pursuant to the Michigan School Code of 1976, as amended by Act No. 362 of the Public Acts of 1993 and Act No. 416 of the Public Acts of 1994. The Academy filed articles of incorporation as a nonprofit corporation pursuant to the provisions of the Michigan Nonprofit Corporation Act of 1982, as amended, in December 1998, and began operation in July, 2000.

In 2015 the Academy entered into a six year extension of its original contract with Lake Superior State University’s Board of Trustees expiring June 2021. The contract requires the Academy to act exclusively as a governmental agency and not undertake any action inconsistent with its status as an entity authorized to receive state school aid funds pursuant to the State constitution. The University’s Board of Trustees is the fiscal agent for the Academy and is responsible for overseeing the Academy’s compliance with the contract and all applicable laws. The Academy pays Lake Superior State University’s Board of Trustees three percent of state aid as administrative fees. Total administrative fees paid for the year ended June 30, 2019 were approximately \$226,740.

The Academy entered into two separate contracts for human resource services and financial and administrative services. The human resource provider administers all employment, benefit, compliance and employer tax payment services and operates as a Professional Employment Organization (“PEO”). Total fees paid to the PEO by the Academy for the year ended June 30, 2019 amounted to \$107,365. The Academy has also engaged the services of an independent public accounting firm (“the Firm”) to provide financial and administrative oversight services for the Academy. Total fees incurred or paid to the Firm by the Academy for the year ended June 30, 2019 amounted to \$111,017.

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

Fund Financial Statements

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

Basis of Presentation – Fund Accounting

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

GRAND TRAVERSE ACADEMY

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Governmental Funds

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

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

Debt Service Fund - The debt service fund is used to record certain revenue and the payment of interest, principal and other expenditures on long-term debt.

Capital Projects Fund - The capital projects fund accounts for financial resources to be used for the acquisition, construction, or improvement of capital facilities.

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

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

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

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

GRAND TRAVERSE ACADEMY

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Government-Wide Financial Statements

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

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

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

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

GRAND TRAVERSE ACADEMY

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Cash and Cash Equivalents

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

Receivables

Receivables at June 30, 2019 consist primarily of state school aid due from the State of Michigan. All receivables are expected to be fully collected in July and August of 2019 and are considered current for the purposes of these financial statements.

Prepaid Assets

Payments made to vendors for services that will benefit periods beyond June 30, 2019 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

Capital Assets and Depreciation

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

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

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

GRAND TRAVERSE ACADEMY

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Accrued Liabilities and Long-Term Obligations

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

Net Position

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

Fund Equity

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

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

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

- a. *Restricted fund balance* – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation. The balances shown as restricted, include \$1,534,576 of resources held in trust for the payment of revenue bond obligations.
- b. *Committed fund balance* – amounts constrained to specific purposes by the Board; to be reported as committed, amounts cannot be used for any other purpose unless the Board takes action to remove or change the constraint.

GRAND TRAVERSE ACADEMY

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

- c. *Assigned fund balance* – amounts the Board intends to use for a specific purpose; intent can be expressed by the Board or by an official or committee to which the Board delegates the authority.
- d. *Unassigned fund balance* – amounts that are available for any purpose; these amounts are reported only in the general fund.

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

Estimates

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

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. State law requires the Academy to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. The Academy is required by law to adopt a general fund budget. During the year ended June 30, 2019 the budget was amended in a legally permissible manner. The analysis of amounts appropriated to amounts expended is contained on page 20 of these financial statements.

GRAND TRAVERSE ACADEMY

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

NOTE 3 - DEPOSITS AND INVESTMENTS

As of June 30, 2019 the Academy had the following investments:

<u>Type</u>	<u>S&P Rating</u>	<u>Maturities</u>	<u>Carrying Value</u>
Deposits:			
Demand deposits			\$ 943,211
Investments:			
U.S. Treasury and agency obligations	AAAm	Various	<u>1,627,327</u>
Total deposits and investments			<u>\$ 2,570,538</u>

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

Deposits:			
Cash - Fiduciary Fund			\$ 56,028
Cash - General Fund			887,183
Investments:			
Investments - Debt Service			<u>1,627,327</u>
Total deposits and investments			<u>\$ 2,570,538</u>

Interest Rate Risk

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

Credit Risk

State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2019 the Academy's investments were rated AAAM by Standards & Poor's and Aaa by Moody's Investors Service.

GRAND TRAVERSE ACADEMY

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

NOTE 3 - DEPOSITS AND INVESTMENTS - Continued

Concentration of Credit Risk

The Academy will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Academy's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. More than 5% of the Academy's investments are in pooled investment accounts which represent 100% of the Academy's total investments.

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. As of June 30, 2019, \$696,804 of the Academy's cash was exposed to custodial credit risk because it was uninsured. All cash balances were uncollateralized as of June 30, 2019.

Custodial Credit Risk - Investments

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

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

Foreign Currency Risk

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

Fair Value

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

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

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

GRAND TRAVERSE ACADEMY

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

NOTE 3 - DEPOSITS AND INVESTMENTS - Continued

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

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

NOTE 4 – DUE FROM OTHER GOVERNMENTAL UNITS

Amounts due from other governmental units consist of the following:

State sources	\$ 1,368,391
Federal sources	<u>12,516</u>
Total	<u><u>\$ 1,380,907</u></u>

NOTE 5 - CAPITAL ASSETS

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

	<u>Balance</u> <u>July 1, 2018</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2019</u>
Capital assets not subject to depreciation				
Land	\$ 770,000	\$ -	\$ -	\$ 770,000
Capital assets subject to depreciation				
Building and improvements	10,564,608	-	-	10,564,608
Furniture and equipment	2,784,495	7,322	-	2,791,817
Computers	<u>36,602</u>	<u>13,296</u>	-	<u>49,898</u>
Sub-total	14,155,705	20,618	-	14,176,323
Accumulated depreciation				
Building and improvements	2,789,860	311,883	-	3,101,743
Furniture and equipment	2,756,974	18,103	-	2,775,077
Computers	<u>27,602</u>	<u>6,259</u>	-	<u>33,861</u>
Sub-total	<u>5,574,436</u>	<u>336,245</u>	-	<u>5,910,681</u>
Total net capital assets	<u><u>\$ 8,581,269</u></u>	<u><u>\$ (315,627)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 8,265,642</u></u>

GRAND TRAVERSE ACADEMY

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

NOTE 5 - CAPITAL ASSETS - Continued

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

NOTE 6 – OTHER ACCRUED EXPENSES

Other accrued expenses may be summarized as follows:

	Net Position (Deficit)	Funds
Purchased services - payroll and benefits	\$ 157,603	\$ 22,436
Other expenses	50,175	175
University oversight fee	41,052	41,052
Interest	129,948	26,390
Total other accrued expenses	<u>\$ 378,778</u>	<u>\$ 90,053</u>

NOTE 7 – NOTES PAYABLE

Notes payable may be summarized as follows:

Loan Information

	Interest Rate	Maturity Date	Other
SAAN 18 - 19	3.43%	August, 2019	Issued to provide the Academy with funds to finance its operations; secured by future state aid
SAAN 17 - 18	4.75%	August, 2018	Paid in full with proceeds from 18-19 issuance

Loan Activity

	Balance July 1, 2018	Additions	Retirements and Payments	Balance June 30, 2019
SAAN 18 - 19	\$ -	\$ 1,360,000	\$ 585,000	\$ 775,000
SAAN 17 - 18	1,554,000	-	1,554,000	-
Total notes payable	<u>\$ 1,554,000</u>	<u>\$ 1,360,000</u>	<u>\$ 2,139,000</u>	<u>\$ 775,000</u>

GRAND TRAVERSE ACADEMY

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

NOTE 8 - LONG-TERM OBLIGATIONS PAYABLE

The following is a summary of long-term obligations for the Academy during the year June 30, 2019:

Loan Information

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

Loan Activity

	<u>Balance July 1, 2018</u>	<u>Additions</u>	<u>Retirements and Payments</u>	<u>Balance June 30, 2019</u>	<u>Due Within One Year</u>
Capital lease 1	\$ 96,335	\$ -	\$ 25,532	\$ 70,803	\$ 27,652
Capital lease 2	31,052	-	31,052	-	-
Revenue bond	13,225,000	-	405,000	12,820,000	430,000
Total loan activity	<u>\$ 13,352,387</u>	<u>\$ -</u>	<u>\$ 461,584</u>	12,890,803	<u>\$ 457,652</u>
Plus unamortized premium				<u>30,290</u>	
Total				<u>\$ 12,921,093</u>	

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

	<u>Principal</u>	<u>Interest</u>
2020	\$ 457,652	\$ 616,951
2021	481,632	590,971
2022	484,884	565,865
2023	496,683	541,475
2024	521,683	517,075
2025 - 2029	2,993,415	2,192,188
2030 - 2034	3,758,415	1,401,163
2035 - 2038	3,726,729	333,250
	<u>\$ 12,921,093</u>	<u>\$ 6,758,938</u>

GRAND TRAVERSE ACADEMY

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

NOTE 9 - INTERFUND TRANSFERS

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

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Transfer In	\$ -	\$ 1,098,597	\$ 100,000
Transfer Out	1,198,597	-	-

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

NOTE 10 - RISK MANAGEMENT

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

SUPPLEMENTARY INFORMATION

GRAND TRAVERSE ACADEMY

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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues				
Local sources	\$ 302,525	\$ 434,530	\$ 291,219	\$ (143,311)
State sources	8,111,002	7,552,825	7,472,970	(79,855)
Federal sources	176,293	190,189	190,098	(91)
Interdistrict sources	-	-	141,175	141,175
Total general fund revenues	<u>8,589,820</u>	<u>8,177,544</u>	<u>8,095,462</u>	<u>(82,082)</u>
Expenditures				
Instruction				
Basic programs	4,759,349	4,290,309	3,319,441	(970,868)
Added needs	-	-	646,266	646,266
Support sources				
Pupil support services	-	-	89,367	89,367
Instructional staff support services	223,235	228,683	232,942	4,259
General administration	559,330	545,273	528,827	(16,446)
School administration	837,037	857,491	884,857	27,366
Business support services	123,500	109,199	109,202	3
Operations and maintenance	758,642	682,210	668,543	(13,667)
Pupil transportation services	-	-	912	912
Central support services	142,824	111,959	67,712	(44,247)
Athletic activities	-	-	107,723	107,723
Community services	-	-	1,241	1,241
Capital outlay	-	-	20,618	20,618
Debt principal and interest	40,669	48,604	63,756	15,152
Total general fund expenditures	<u>7,444,586</u>	<u>6,873,728</u>	<u>6,741,407</u>	<u>(132,321)</u>
Excess of revenues over expenditures	1,145,234	1,303,816	1,354,055	50,239
Other Financing Uses				
Operating transfers out	(1,055,000)	(1,198,597)	(1,198,597)	-
Excess of revenues over expenditures and other uses	90,234	105,219	155,458	50,239
Fund balance - July 1, 2018	<u>882,257</u>	<u>882,257</u>	<u>882,257</u>	<u>-</u>
Fund balance - June 30, 2019	<u>\$ 972,491</u>	<u>\$ 987,476</u>	<u>\$ 1,037,715</u>	<u>\$ 50,239</u>

GRAND TRAVERSE ACADEMY

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

Local Sources

Tuition	\$	163,894
Earnings on investments		1,723
Student activities		55,378
Other local revenues		70,224

Total local sources 291,219

State Sources

At risk		152,028
Special education		287,686
State aid		7,033,256

Total state sources 7,472,970

Federal Sources

Title I		155,245
Title II A		18,280
Other program revenue		16,573

Total federal sources 190,098

Interdistrict Sources

141,175

Total general fund revenues \$ 8,095,462

GRAND TRAVERSE ACADEMY

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

Basic Programs

Purchased services	\$ 3,194,208
Supplies and materials	66,467
Other expenditures	58,766
	<hr/>
Total basic programs	3,319,441

Added Needs

Purchased services	644,832
Supplies and materials	734
Other expenditures	700
	<hr/>
Total added needs	646,266

Pupil Support Services

Other pupil services	89,367
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Instructional Staff Support Services

Purchased services	232,942
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General Administration

Purchased services	528,827
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School Administration

Purchased services	820,265
Supplies and materials	52,652
Other expenditures	11,940
	<hr/>

Total school administration	884,857
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GRAND TRAVERSE ACADEMY

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

Business Support Services

Purchased services	25,767
Other expenditures	83,435
	<hr/>
Total business support services	109,202

Operations and Maintenance

Purchased services	319,502
Repairs and maintenance	192,614
Supplies and materials	155,253
Non-depreciable capital assets	1,174
	<hr/>
Total operations and maintenance	668,543

Pupil Transportation Services

Purchased services	912
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Central Support Services

Purchased services	30,560
Non-depreciable capital assets	36,732
Other expenditures	420
	<hr/>
Total central support services	67,712

Athletic Activities

Purchased services	78,337
Rentals	3,580
Supplies and materials	13,389
Other expenditures	12,417
	<hr/>
Total athletic activities	107,723

Community Services

Purchased services	1,241
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Capital Outlay

20,618

Debt Principal and Interest

63,756

Total general fund expenditures	<hr/> <hr/>
	\$ 6,741,407