



**OAKLAND ACADEMY
PORTAGE, MICHIGAN
ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2021**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Oakland Academy
Portage, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Oakland Academy (the "Academy"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the 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 Academy as of June 30, 2021, 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.

Change in Accounting Principle

As stated in Note 14 to the basic financial statements, the Academy adopted **GASB Statement No. 84, Fiduciary Activities**, in 2021, which represents a change in its policy for reporting fiduciary activities. The fiduciary fund was converted to a special revenue fund. Our opinions are not modified with respect to this matter.

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 schedules, as listed 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 Academy's basic financial statements. The combining and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally

accepted in the United States of America. In our opinion, the combining and individual fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2021, on our consideration of the 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 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 Academy's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Gabridge & Company". The signature is written in dark ink and is positioned above the typed name of the firm.

Gabridge & Company, PLC
Three Rivers, MI
October 18, 2021

Management's Discussion and Analysis

Oakland Academy
Management's Discussion and Analysis
June 30, 2021

This section of the Oakland Academy (the "Academy"), Portage, Michigan's annual financial report presents our discussion and analysis of the Academy's financial performance during the year ended June 30, 2021. It is to be read in conjunction with the Academy's financial statements, which immediately follow. This is a requirement of the Governmental Accounting Standards Board Statement No. 34 (GASB 34) *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* and is intended to provide the financial results for the fiscal year ending June 30, 2021.

Highlights

- The Academy's foundation allowance for the 2020-2021 school year (June 30, 2021 fiscal year) remained consistent from the prior year at \$8,111 per student.
- A new "super blend" was used to determine membership. The 90/10 blend for 2019-2020 multiplied by .75 was added to the 90/10 blend for 2020-2021 multiplied by .25 to determine the super blend.
- The Academy's student enrollment for the September count of 2020-2021 was 154.67 students, a decrease of approximately 50 students from the prior year.
- Professional teaching staff remained consistent for the 2020-2021 operations with 11 managing teachers and 5 paraprofessionals.

Overview of the Financial Statements

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

- The first two statements, the statement of net position and the statement of activities, 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. *Governmental funds statements* tell how basic services such as regular and special education were financed in the short-term as well as what remains for future spending.

The basic financial statements also include the notes to the financial statements that explain the information in the basic financial statements and provide more detailed data. Supplementary

information follows and includes combining and individual fund statements as well as a budgetary comparison schedule for the general fund.

Academy-wide Financial Statements

The Academy-wide financial 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 and liabilities - is one way to measure the Academy's financial health or position. Over time, increases or decreases in the Academy's net position are an indicator of whether its financial position is improving or deteriorating, respectively. The Academy reports no net position as indicated in note 11 of the financial statements.

To assess the Academy's overall health, one should consider additional non-financial factors such as changes in the Academy's enrollment, staffing, and the condition of school equipment, buildings, and other facilities.

In the Academy-wide financial statements, the Academy's activities are presented as governmental activities. *Governmental activities* include the Academy's basic services, such as regular and special education, instructional support, administration, business and central services, food service, and operations and maintenance. State aid and federal sources finance most of these activities.

Financial Analysis of the Academy as a Whole

The Academy's cash and cash equivalents increased by \$22,507, primarily as a result of an increase in state and federal funding. Increases in state aid funding and federal funding also increased due from other governmental units by \$21,882 and a portion of these funds were unearned which caused unearned revenue to increase by \$52,359. Accrued payroll and other liabilities also increased by \$31,082 due to the increase in staff costs related to basic programs.

The schedule on the following page summarizes the Schools assets and liabilities for each of the past two fiscal years.

Oakland Academy's Net Position

ASSETS	2021	2020
<i>Current Assets</i>		
Cash and cash equivalents	\$ 23,920	\$ 1,413
Accounts receivable	1,875	-
Due from other governmental units	248,143	226,261
Prepaid expenses	2,437	-
Total Assets	276,375	227,674
LIABILITIES		
<i>Current Liabilities</i>		
Accounts payable	14,826	6,558
Accounts payable - Foundation for Behavioral Resources	116,063	158,962
Accrued payroll and other liabilities	55,666	42,410
Unearned revenue	71,994	19,635
Total Liabilities	258,549	227,565
NET POSITION		
Unrestricted	17,826	109
Total Net Position	\$ 17,826	\$ 109

The results of the fiscal year's operations for the Academy as a whole are presented in the statement of activities, which shows the change in total net position for the year:

Oakland Academy's Changes in Net Position

Revenues	2021	2020
Program Revenues		
Charges for services	\$ 19,014	\$ 4,241
Operating grants and contributions	215,653	148,273
Total Program Revenues	234,667	152,514
General Revenues		
Unrestricted state sources	1,261,066	1,243,822
Total General Revenues	1,261,066	1,243,822
Total Revenues	1,495,733	1,396,336
Expenses		
Instruction	638,124	541,609
Supporting services	788,013	809,384
Food services	66,591	45,722
Total Expenses	1,492,728	1,396,715
Change in Net Position	3,005	(379)
<i>Net Position at Beginning of Period</i> <i>(Restated, Note 14)</i>	14,821	488
Net Position at End of Period	\$ 17,826	\$ 109

Charges for services increased by \$14,773 as it is primarily related to charges to students related to food sales. Operating grants and contributions increased by \$67,380 due to increases in restricted state and federal funding, as mentioned earlier in this report. A part of this increase was food services-related funding which corresponded with an increase of \$20,869 in food services-related expenses. Due to the increase basic programs-related expenses, instruction expenses increased significantly by \$96,515.

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.

The Academy utilizes *governmental funds* within this report. 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. Since the Academy-wide financial statements and the fund financial statements use different methods of accounting to report the Academy's financial condition, a reconciliation is included in the financial statements showing the differences between the two types of statements.

Financial Analysis of the Academy's Funds

The Academy uses funds to record and analyze financial information. The Academy has one major fund: the general fund.

The *general fund* is the chief operating fund of the Academy. Due to the size of the Academy, changes within the general fund were explained in an earlier section of this report, along with the Academy as a whole.

General Fund Budgetary Highlights

During the year the Academy revised its budget to attempt to match changes in the school funding environment and current needs of students and faculty. State law requires that budgets be amended during the year so actual expenditures do not exceed appropriations.

Original budget compared to final budget. There was one amendment made to the original budget for either the original estimated revenues or the original appropriated expenditures: basic programs increased from \$525,169 to \$665,307 to account for the increased labor costs related to instruction services and federal sources revenues increased from \$59,702 to \$147,480 as the Academy expected additional COVID-19 and food services funding throughout the year. As mentioned above, the original budget was amended during the year as actual results needed adjusting from the original budgeted estimates.

Final budget compared to actual results. The Academy had the following expenditures in excess of the amounts appropriated during the year ended June 30, 2021:

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
General fund			
<i>Supporting services</i>			
General administration	\$ 5,441	\$ 6,460	\$ (1,019)
Business services	87,046	105,200	(18,154)
Central services	-	7,823	(7,823)
Transfers out	-	2,746	(2,746)

Capital Assets

At June 30, 2021, the Academy had no monies invested in capital assets. Instead, the Academy leases most of its equipment and facilities from the Foundation for Behavioral Resources as indicated in note 11 of the financial statements.

Economic Factors and Next Year’s Budget and Rates

The Academy estimates that approximately \$1.5 million of revenues will be available for appropriation in the general fund in the upcoming budget. The Academy continues to review all budget line items for opportunities to reduce expenditures when possible while providing an excellent education to the region it serves. The budget will be monitored during the year to identify any necessary amendments. Additionally, administration and the Board of Directors are currently working to determine the significance that the COVID-19 Pandemic will have on the Academy’s upcoming revenues and expenditures.

Requests for Information

This financial report is designed to provide our citizens, customers, and 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:

Business Office
 Foundation for Behavioral Resources
 c/o Oakland Academy
 600 South Lincoln Street.
 Augusta, MI 49012

Or telephone (269) 731-5796.

Basic Financial Statements

Oakland Academy
Statement of Net Position
June 30, 2021

ASSETS

Current Assets

Cash and cash equivalents	\$	23,920
Accounts receivable		1,875
Due from other governmental units		248,143
Prepaid items		2,437
<i>Total Assets</i>		<u>276,375</u>

LIABILITIES

Current Liabilities

Accounts payable		14,826
Accounts payable - Foundation for Behavioral Resources		116,063
Accrued payroll and other liabilities		55,666
Unearned revenue		71,994
<i>Total Liabilities</i>		<u>258,549</u>

NET POSITION

<i>Unrestricted</i>		17,826
<i>Total Net Position</i>	\$	<u>17,826</u>

**Oakland Academy
Statement of Activities
For the Year Ended June 30, 2021**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Instruction	\$ 638,124	\$ --	\$ 161,654	\$ --	\$ (476,470)
Supporting services	788,013	--	9,277	--	(778,736)
Food services	66,591	19,014	44,722	--	(2,855)
Total Primary Government	\$ 1,492,728	\$ 19,014	\$ 215,653	\$ --	(1,258,061)
General Purpose Revenues:					
					1,261,066
					1,261,066
					3,005
					14,821
					\$ 17,826

The Notes to the Financial Statements are an integral part of these Financial Statements

**Oakland Academy
Balance Sheet
Governmental Funds
June 30, 2021**

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 6,094	\$ 17,826	\$ 23,920
Accounts receivable	1,875	--	1,875
Due from other governmental units	248,143	--	248,143
Prepaid items	2,437	--	2,437
Due from other funds	--	2,912	2,912
Total Assets	\$ 258,549	\$ 20,738	\$ 279,287
LIABILITIES			
Accounts payable	\$ 11,914	\$ 2,912	\$ 14,826
Accounts payable - Foundation for Behavioral Resources	116,063	--	116,063
Accrued payroll and other liabilities	55,666	--	55,666
Unearned revenue	71,994	--	71,994
Due to other funds	2,912	--	2,912
Total Liabilities	258,549	2,912	261,461
FUND BALANCE			
Nonspendable	2,437	--	2,437
Committed	--	17,826	17,826
Unassigned	(2,437)	--	(2,437)
Total Fund Balance	--	17,826	17,826
Total Liabilities and Fund Balance	\$ 258,549	\$ 20,738	\$ 279,287

The Notes to the Financial Statements are an integral part of these Financial Statements

Oakland Academy
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2021

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues			
Local sources	\$ 81,384	\$ 28,291	\$ 109,675
State sources	1,329,955	60	1,330,015
Federal sources	11,381	44,662	56,043
Total Revenues	<u>1,422,720</u>	<u>73,013</u>	<u>1,495,733</u>
Expenditures			
Instruction	638,124	--	638,124
Supporting services	781,850	6,163	788,013
Food services	--	66,591	66,591
Total Expenditures	<u>1,419,974</u>	<u>72,754</u>	<u>1,492,728</u>
Excess of Revenues Over (Under) Expenditures	<u>2,746</u>	<u>259</u>	<u>3,005</u>
Other Financing Sources (Uses)			
Transfers in	--	2,746	2,746
Transfers out	(2,746)	--	(2,746)
Net Other Financing Sources (Uses)	<u>(2,746)</u>	<u>2,746</u>	<u>--</u>
Net Change in Fund Balance	<u>--</u>	<u>3,005</u>	<u>3,005</u>
Fund Balance at Beginning of Period (Restated, Note 14)	<u>--</u>	<u>14,821</u>	<u>14,821</u>
Fund Balance at End of Period	<u>\$ --</u>	<u>\$ 17,826</u>	<u>\$ 17,826</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

Notes to the Financial Statements

Oakland Academy

Notes to the Financial Statements

Note 1 - Summary of Significant Accounting Policies

The accounting policies of Oakland Academy (the “Academy”) conform to generally accepted accounting principles as applicable to School Districts. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Academy’s significant accounting policies are described below:

Reporting Entity

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

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

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board (GASB) for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the Academy’s reporting entity, and which organizations are legally separate, component units of the Academy. Based on the application of the criteria, the Academy does not contain any component units.

Academy-wide and Fund Financial Statements

The Academy-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all activities of the Academy. For the most part, the effect of interfund activity has been removed from these statements. The Academy-wide statements report *governmental activities*, which normally are supported by intergovernmental revenues.

The *statement of activities* demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *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 or capital requirements of a particular function or segment. Unrestricted

Oakland Academy

Notes to the Financial Statements

intergovernmental payments and other items not properly included among program revenues are reported instead as *general revenues*. The Academy does not allocate indirect costs.

Major individual funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Academy-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. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met.

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 collected within 60 days of the end of the current fiscal period, or one year for reimbursement-based grants. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, if applicable, as well as expenditures related to claims and judgments, are recorded only when payment is due.

Revenues susceptible to accrual are state aid, federal, and inter-district revenues, and interest income and, accordingly, have been recognized as revenues of the current fiscal year. Other revenues are recognized when received.

The Academy reports one major fund:

The ***general fund*** is the general operating fund of the Academy. It is used to account for all financial resources, except those required to be accounted for in another fund.

Additionally, the Academy reports the following fund types:

Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The Academy has two special revenue funds: the food service fund and the student activities fund.

Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the general and special revenue funds. All annual appropriations lapse at fiscal year-end.

Oakland Academy

Notes to the Financial Statements

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the functional level for special revenue funds and the department level for the general fund. 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. State law permits academies to amend its budgets during the year.

Encumbrances (e.g., purchase orders and contracts) outstanding at year end do not constitute expenditures or liabilities because the goods or services have not been received as of year-end; the commitments will be reappropriated and honored during the subsequent year.

Assets, Liabilities, and Fund Equity

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.

State statutes and Academy policy authorize the Academy to invest in:

- Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- Bankers' acceptances of United States banks.
- Obligations of the State of Michigan and its political subdivisions, that, at the time of purchase are rated as investment grade by at least one standard rating service.
- Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- External investment pools as authorized by the surplus funds investment pool act, Act. No. 367 of the Public Acts of 1982, being sections 129.11 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by an Academy.

Oakland Academy

Notes to the Financial Statements

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year and all other outstanding balances between funds are referred to as “due to/from other funds” (i.e., the current portion of interfund loans).

All receivables are shown net of an allowance for uncollectibles, as applicable. All amounts deemed to be uncollectible are charged against the allowance for doubtful accounts in the period that determination is made. No amounts have been deemed uncollectible during the current year.

Prepaid Items

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 computers, software, and other equipment are reported in the Academy-wide financial statements. The Academy leases the majority of equipment, furniture, and facilities from the Foundation for Behavioral Resources, as discussed in a later section of this report. Assets having a useful life in excess of five years and whose costs exceed \$2,500 are capitalized. Capital assets are stated at historical cost or estimated historical cost where actual cost information is not available. Donated capital assets are stated at acquisition value at the date of donation.

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

Computers, software, and other equipment are depreciated using the straight-line method over the following estimated useful lives:

Software	3 years
Computers and other equipment	5 years

Accrued and Other Liabilities

All payables and accrued liabilities are reported in the academy-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, claims and judgments, the noncurrent portion of compensated absences, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only

Oakland Academy

Notes to the Financial Statements

to the extent that they will be paid with current, expendable, available financial resources. Payments made within sixty days after year-end are generally considered to have been made with current available financial resources.

Compensated Absences

Teachers are allocated ten half-days for personal leave each year and are not permitted to accumulate days from year to year. At June 30, 2021, the liability for compensated absences was immaterial and has not been accrued.

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.

Governmental funds report *nonspendable fund balance* for amounts that cannot be spent because they are either: a) not in spendable form or b) legally or contractually required to be maintained intact.

Restricted fund balance is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments.

Oakland Academy

Notes to the Financial Statements

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 government that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) 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 can assign fund balance. 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.

Unassigned fund balance is the residual classification for the Academy's general fund and includes all spendable amounts not contained in the other classifications and is therefore available to be spent as determined by the Board of Directors.

Economic Dependency

The Academy is dependent on the State of Michigan for funding of operations and the Foundation for Behavioral Resources for additional funding of expenditures made in excess of the budget.

Unearned Revenue

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

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Oakland Academy

Notes to the Financial Statements

Note 2 - Stewardship, Compliance, and Accountability

Michigan law provides that a local unit shall not incur expenditures in excess of the amount appropriated. The Academy's actual expenditures and budgeted expenditures for the budgeted funds have been shown at the department level. The approved budgets of the Academy for these budgeted funds were also adopted at the department level.

Excess of expenditures over appropriations in budgeted funds – The Academy had the following expenditures in excess of the amounts appropriated as of June 30, 2021:

	Final Budget	Actual	Variance
General fund			
<i>Supporting services</i>			
General administration	\$ 5,441	\$ 6,460	\$ (1,019)
Business services	87,046	105,200	(18,154)
Central services	-	7,823	(7,823)
Transfers out	-	2,746	(2,746)

Deficit unassigned fund balance – The Academy had no fund balance in its general fund as of June 30, 2021 (see note 11). However, the Academy reported a deficit unassigned fund balance in its general fund of \$2,437 because that amount needed to be reclassified as nonspendable fund balance associated with the general fund's prepaid expenditures.

Note 3 - Cash and Cash Equivalents

The Academy maintains one bank account. As of June 30, 2021, the Academy reported \$23,920 of cash and cash equivalents.

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that, in the event of a bank failure, the Academy's deposits might not be returned. State law does not require, and the Academy does not have a policy for deposit custodial credit risk. As of year-end, the Academy's cash and cash equivalents are held in a State of Michigan bank in accordance with statutory authority and all monies are covered by federal depository insurance.

Note 4 - Interfund Receivables, Payables, and Transfers

Interfund balances as of June 30, 2021 consisted of fund receivable and payable listed below:

Receivable fund	Payable fund	Amount
Food services	General fund	\$ 2,912

Oakland Academy

Notes to the Financial Statements

Interfund balances resulted primarily from the time lag between the dates that: 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

The following operating transfer occurred during the year:

<u>Transfers in</u>	<u>Transfers out</u>	<u>Amount</u>
Food services	General fund	\$ 2,746

The \$2,746 interfund transfer was to cover any potential deficit within the food service fund caused by current year activity.

Note 5 - Receivables

As of June 30, 2021, the general fund's due from other governmental units consisted of the following sources:

State sources	
State aid membership	\$ 234,059
State aid - at risk	9,266
<i>Subtotal</i>	<u>243,325</u>
Federal sources	
Title IV grant	2,228
ESSER grant	2,590
<i>Subtotal</i>	<u>4,818</u>
Total due from other governmental units	<u>\$ 248,143</u>

Note 6 - State of Michigan School Aid

The Academy reports State of Michigan school aid in the fiscal year in which the Academy is entitled to the revenue as provided by State of Michigan School aid appropriation acts. State funding provided approximately 89.0% of the total revenues to the Academy during the 2021 fiscal year.

Oakland Academy

Notes to the Financial Statements

Note 7 - Capital Assets

Capital asset activity of the Academy was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Capital assets being depreciated:				
Software, computers, and other equipment	\$ 22,941	\$ -	\$ -	\$ 22,941
Less accumulated depreciation:				
Software, computers, and other equipment	(22,941)	-	-	(22,941)
<i>Capital assets, net</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Note 8 - Accounts Payable - Foundation for Behavioral Resources

The Academy from time to time borrows monies from the Foundation for Behavioral Resources (discussed in Note 11 – Commitments). These borrowings are in anticipation of state aid payments or to cover deficits in the general fund. Any surplus revenues are due to the Foundation for Behavioral Resources, as stated in the management agreement. The liability is expected to be paid in the next year and thus, reported as a current liability. The following schedule shows the activity for the fiscal year ended June 30, 2021:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Accounts payable				
Due to Foundation for Behavioral Resources	\$ 158,962	\$ 1,339,695	\$ (1,382,594)	\$ 116,063

Note 9 - 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; and natural disasters for which the Academy carries commercial insurance. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss in excess of insurance coverage can be reasonably estimated. There has been no loss in excess of insurance in the past three years.

Note 10 - Contingent Liabilities

The Academy participates in a number of federally assisted grant programs. These programs are subject to program compliance audits by the grantor or their representatives. The audits of these programs including the year ended June 30, 2021, have not yet been conducted. Accordingly, the Academy's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the Academy expects such amounts, if any, to be immaterial.

Oakland Academy

Notes to the Financial Statements

Note 11 - Commitments

Management Agreement – The Academy contracted with a related party, the Foundation for Behavioral Resources (FBR), to the extent permitted by law, for the provision of all labor, materials, facilities, equipment and supervision necessary for the provision of educational services to students, and the management, operation and maintenance of the Academy in accordance with the educational goals, curriculum, methods of pupil assessment, admission policy and criteria, school calendar and school day schedule, age and grade range of pupils to be enrolled, educational goals, and method to be used to monitor compliance with performance of targeted educational outcomes, all as adopted by the Board of Directors of the Academy and included in the contract between the Academy and Grand Valley State University. Management fees for Academy are calculated based on excess revenues over expenditures, excluding the student activities fund. For fiscal year ended June 30, 2021, management fees totaled \$94,143. This agreement expired June 30, 2021.

The Academy contracted with Grand Valley State University for oversight of the charter school. For fiscal year ended June 30, 2021, oversight fees totaled \$36,682. This agreement will expire June 30, 2025.

Leases – The Foundation for Behavioral Resources rents facilities and equipment to the Academy for the sole purpose of operating a public charter school. The Academy has the option to renew the lease annually on July 1. For the fiscal year ended June 30, 2021, terms of the lease required monthly installments totaling \$263,784.

Interest expense – The Foundation passes through interest charges to the Academy based on a line of credit in the name of the Foundation. The funds borrowed are variable, based on the needs of the Academy. For the year ended June 30, 2021, no interest was paid.

Note 12 - Retirement Benefits

The Academy maintains a TIAA/CREF retirement plan for substantially all employees. For fiscal year ended June 30, 2021, the PSA contributed up to \$1,500 for each eligible employee's account and an additional \$1,200 if the employee elected to not take health insurance coverage with a total expense incurred of \$18,053, which included an additional \$1,583 contributed to eligible administrators' accounts.

Note 13 - Subsequent Events

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus a pandemic. First identified in late 2019 and now known as COVID-19, the outbreak has impacted millions of individuals in the United States and worldwide. In response, the United States federal government and individual state and local governments have implemented measures to combat the outbreak that have impacted business operations. During the 2020-2021 fiscal year, the Academy's operations were significantly impacted, as shelter-in-place

Oakland Academy

Notes to the Financial Statements

orders and government mandates impacted census volumes. The Academy has moved to mitigate the impact by managing the workforce, actively managing cash balances, and implementing other cost reduction measures.

Note 14 - New Accounting Pronouncement Adopted

The Academy adopted the provisions of GASB Statement No. 84, *Fiduciary Activities*, in the current year. As a result of this change, the activity of the agency fund titled "Student Activities" was moved to a special revenue fund titled "Student Activities". In addition, the beginning fund balance for the fund and beginning net position of governmental activities was restated by an increase of \$14,712.

Required Supplementary Information

Oakland Academy
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
General Fund
For the Year Ended June 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Positive (Negative) Final to Actual
Revenues				
Local sources	\$ 43,000	\$ 78,515	\$ 81,384	\$ 2,869
State sources	1,276,829	1,332,447	1,329,955	(2,492)
Federal sources	59,702	147,480	11,381	(136,099)
Total Revenues	<u>1,379,531</u>	<u>1,558,442</u>	<u>1,422,720</u>	<u>(135,722)</u>
Expenditures				
Instruction				
Basic programs	525,169	665,307	623,907	41,400
Added needs	44,600	49,856	14,217	35,639
Total instruction	<u>569,769</u>	<u>715,163</u>	<u>638,124</u>	<u>77,039</u>
Supporting services				
Pupil	40,000	55,010	54,084	926
Instructional staff	60,430	49,909	3,565	46,344
General administration	--	5,441	6,460	(1,019)
School administration	190,841	254,098	248,707	5,391
Business services	161,207	87,046	105,200	(18,154)
Operations and maintenance	357,284	391,375	356,011	35,364
Central services	--	--	7,823	(7,823)
Total supporting services	<u>809,762</u>	<u>842,879</u>	<u>781,850</u>	<u>61,029</u>
Community services	<u>--</u>	<u>400</u>	<u>--</u>	<u>400</u>
Total Expenditures	<u>1,379,531</u>	<u>1,558,442</u>	<u>1,419,974</u>	<u>138,468</u>
Other Financing Uses				
Transfers out	--	--	2,746	(2,746)
Total Expenditures and Other Financing Uses	<u>1,379,531</u>	<u>1,558,442</u>	<u>1,422,720</u>	<u>135,722</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Uses	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Net Change in Fund Balance	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Fund Balance at Beginning of Period	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Fund Balance at End of Period	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

Combining and Individual Fund Statements and Schedules

**Oakland Academy
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2021**

	<u>Special Revenue</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>Food Service</u>	<u>Student Activities</u>	
ASSETS			
Cash and cash equivalents	\$ --	\$ 17,826	\$ 17,826
Due from other funds	2,912	--	2,912
<i>Total Assets</i>	<u>\$ 2,912</u>	<u>\$ 17,826</u>	<u>\$ 20,738</u>
LIABILITIES			
Accounts payable	\$ 2,912	\$ --	\$ 2,912
<i>Total Liabilities</i>	<u>2,912</u>	<u>--</u>	<u>2,912</u>
FUND BALANCE			
Committed	--	17,826	17,826
Unassigned	--	--	--
<i>Total Fund Balance</i>	<u>--</u>	<u>17,826</u>	<u>17,826</u>
<i>Total Liabilities and Fund Balance</i>	<u>\$ 2,912</u>	<u>\$ 17,826</u>	<u>\$ 20,738</u>

Oakland Academy
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended June 30, 2021

	<u>Special Revenue</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>Food Service</u>	<u>Student Activities</u>	
Revenues			
Local sources	\$ 19,014	\$ 9,277	\$ 28,291
State sources	60	--	60
Federal sources	44,662	--	44,662
<i>Total Revenues</i>	<u>63,736</u>	<u>9,277</u>	<u>73,013</u>
Expenditures			
Supporting services	--	6,163	6,163
Food services	66,591	--	66,591
<i>Total Expenditures</i>	<u>66,591</u>	<u>6,163</u>	<u>72,754</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(2,855)</u>	<u>3,114</u>	<u>259</u>
Other Financing Sources (Uses)			
Transfers in	2,746	--	2,746
Transfers out	--	--	--
<i>Net Other Financing Sources (Uses)</i>	<u>2,746</u>	<u>--</u>	<u>2,746</u>
<i>Net Change in Fund Balance</i>	<u>(109)</u>	<u>3,114</u>	<u>3,005</u>
<i>Fund Balance at Beginning of Period (Restated, Note 14)</i>	<u>109</u>	<u>14,712</u>	<u>14,821</u>
<i>Fund Balance at End of Period</i>	<u>\$ --</u>	<u>\$ 17,826</u>	<u>\$ 17,826</u>

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
Oakland Academy
Portage, Michigan

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 the Oakland Academy (the "Academy"), as of and for the year ended June 30, 2021 and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements, and have issued our report thereon dated October 18, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Academy's internal control over financial reporting (internal control) as a basis for designing 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 the Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 the 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in cursive script that reads "Gabridge & Company".

Gabridge & Company, PLC
Three Rivers, MI
October 18, 2021

October 18, 2021

To the Board of Directors
Oakland Academy
Portage, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Oakland Academy (the “Academy”) for the year ended June 30, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 24, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Academy are described in Note 1 to the financial statements. There were no new accounting policies adopted and, except as stated in Note 14 to the financial statements, the application of existing policies was not changed during the fiscal year ended June 30, 2021. We noted no transactions entered into by the Academy during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

- Management’s estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.

We evaluated the key factors and assumptions used to develop this estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Furthermore, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. In addition, professional standards require us to communicate all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. We did not identify any misstatements during our audit.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 18, 2021.

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 Academy's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the 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 Matters

We applied certain limited procedures to the management's discussion and analysis and budgetary comparison information, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

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

Restriction on Use

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

Very truly yours,

A handwritten signature in cursive script that reads "Gabridge & Company". The signature is written in dark ink and is positioned above the printed name of the company.

Gabridge & Company, PLC
Three Rivers, MI