

Audited Financial Statements

West Michigan Academy of Arts and Academics

Spring Lake, Michigan

June 30, 2018

CONTENTS

	<u>Page</u>
Independent Auditor’s Report	i - ii
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 <i>Government Auditing Standards</i>	iii - iv
Management’s Discussion and Analysis	v - x
Basic Financial Statements	
Statement of Net Position	1
Statement of Activities	2
Combined Balance Sheet – All Governmental Funds	3
Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities	4
Statement of Revenues, Expenditures and Changes in Fund Balance – All Governmental Funds	5
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities	6
Statement of Fiduciary Net Position	7
Notes to Financial Statements	8 - 19
Supplementary Information	
Budgetary Comparison Schedule – General Fund	20
Schedule of Revenues – General Fund	21
Schedule of Expenditures – General Fund	22 - 24

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of West Michigan Academy of Arts and Academics

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of West Michigan Academy of Arts and Academics as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise West Michigan Academy of Arts and Academics' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of West Michigan Academy of Arts and Academics as of June 30, 2018, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise West Michigan Academy of Arts and Academics' basic financial statements. The introductory section, combining and individual non-major fund financial statements, and schedules of revenues and expenditures, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2018 on our consideration of West Michigan Academy of Arts and Academics' 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 West Michigan Academy of Arts and Academics' 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 West Michigan Academy of Arts and Academics' internal control over financial reporting and compliance.



Croskey Lanni, PC

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

**To the Board of Directors
of West Michigan Academy of Arts and Academics**

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 West Michigan Academy of Arts and Academics, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise West Michigan Academy of Arts and Academics' basic financial statements, and have issued our report thereon dated October 24, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered West Michigan Academy of Arts and Academics' 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 West Michigan Academy of Arts and Academics' internal control. Accordingly, we do not express an opinion on the effectiveness of West Michigan Academy of Arts and Academics' 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 West Michigan Academy of Arts and Academics' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

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

Croskey Lanni, PC

October 24, 2018

MANAGEMENT’S DISCUSSION AND ANALYSIS

This section of West Michigan Academy of Arts and Academic’s, “WMAAA”, annual financial report presents our discussion and analysis of the school’s financial performance during the fiscal year that ended on June 30, 2018. Please read it in conjunction with the school’s financial statements, which immediately follow this section.

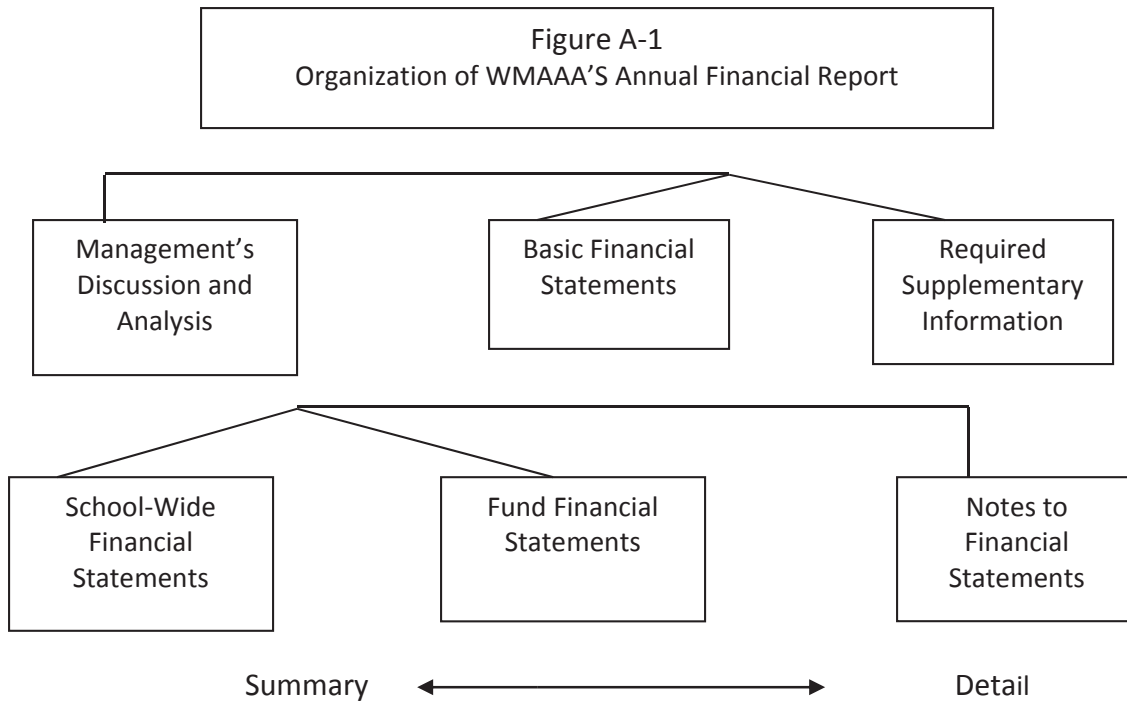
FINANCIAL HIGHLIGHTS

- ❖ The school’s financial status remains stable.
 - The total cost of basic programs was \$1,939,417.
- ❖ Revenues were at \$4,056,216 while expenditures and operating transfers were \$4,165,573 in the General Fund.
 - Blended enrollment used for state aid purposes was 455.28 compared to 489.51 last year.
- ❖ The school reduced its outstanding long-term debt by \$151,736.
- ❖ The school has a positive fund balance in the General Fund of \$1,576,446.

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 financial statements include two kinds of statements that present different views of the school:

- The first two statements are school-wide financial statements that provide both short-term and long-term information about the school’s overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the school, reporting the schools 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 school acts solely as a trustee or agent for the benefit of others. These consist of student activity funds held by the school 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 school'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

Fund Financial Statements

	School-Wide Statements	Government Funds	Fiduciary Funds
Scope	Entire school (except fiduciary funds)	The activities of the school that are not proprietary or fiduciary, such as special education and building maintenance.	Instances in which the school 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 good 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 school's financial statements, including the portion of the schools 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 school as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the school'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 school's net position and how they have changed. Net position – the difference between the school's assets and liabilities – are one way to measure the school's financial health or position.

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

FUND FINANCIAL STATEMENTS

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

- ❖ *Governmental activities* – Most of the school'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 school 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.

The school has two kinds of funds:

- ❖ *Governmental funds* – Most of the school'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 school'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 explain the relationship (or differences) between them.
- ❖ *Fiduciary funds* – The school is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. We exclude these activities from the school-wide financial statements because the school cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

The comparison of current year to prior year financial information is on the following pages. See Tables A-3, A-4, and A-5.

The school's financial position is the product of many factors. The asset depreciation schedule was implemented as required by GASB 34. New asset purchases have been kept to a minimum.

School Governmental

The stability of the school's finances is a result of the following measures:

- ❖ Build a stronger marketing campaign to encourage enrollment.
- ❖ Continue to add and build up our strong fund balance in order to add the necessary classrooms and space to the facility.
- ❖ Capital outlay spending for equipment has increased due to the growth of the facility and classrooms; spending will remain conservative.
- ❖ Regular review of the budget throughout the year.

General Fund Budgetary Analysis

Over the course of the year, the school reviewed the annual operating budget two times. The following operational changes were made:

- ❖ Changes were made during the year to account for initial and final enrollment counts, state aid indecisions, capital outlay improvements, and changes in assumptions since the original budget was adopted.

Financial Outlook

WMAAA's financial forecast is cautiously optimistic heading into the 2018-2019 school year.

- ❖ Enrollment has declined slightly, however, with more focus and resources placed on marketing, we are hopeful that we will add students as the year goes on. As a result, we will continue to raise funds and save money to add to our facility. We will also invest in new curriculum across all content areas. In addition, we will continue to replace roof top units, and will prioritize a facility and maintenance needs .

Table A-3
WMAAA's Net Position

	<u>2018</u>	<u>2017</u>
Current and other assets	\$ 2,310,253	\$ 2,447,290
Capital assets	<u>5,669,322</u>	<u>5,630,661</u>
Total assets and deferred outflows	7,979,575	8,077,951
Long-term debt outstanding	4,523,321	4,670,371
Other liabilities	<u>354,045</u>	<u>386,562</u>
Total liabilities	4,877,366	5,056,933
Net position:		
Restricted	1,585,886	1,396,379
Unrestricted	<u>1,516,323</u>	<u>1,624,639</u>
Total net position	<u>\$ 3,102,209</u>	<u>\$ 3,021,018</u>

Table A-4
Changes in WMAAA's Net Position

	<u>2018</u>	<u>2017</u>
Revenues:		
Program revenues:		
Charges for services	\$ 71,595	\$ 72,110
Federal and state operating grants	470,325	412,247
General revenues:		
State aid – unrestricted	3,471,920	3,666,315
Miscellaneous	<u>45,384</u>	<u>25,951</u>
Total revenues	4,059,224	4,176,623
Expenses:		
Instruction	2,240,567	2,275,727
Support services	1,284,811	1,285,453
Interest on long-term debt	251,959	258,170
Depreciation	<u>200,696</u>	<u>195,207</u>
Total expenses	<u>3,978,033</u>	<u>4,014,557</u>
Change in net position	<u>\$ 81,191</u>	<u>\$ 162,066</u>

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2018, the school had invested \$7,691,197 in capital assets, including land, building and improvements and equipment. See table A-5 below for a listing of capital assets, and accumulated depreciation.

Table A-5
WMAAA's Capital Assets

	Balance June 30, 2018	Balance June 30, 2017
Land	\$ 42,565	\$ 40,000
Building and improvements	7,413,732	7,180,032
Equipment and computers	<u>234,900</u>	<u>231,808</u>
Sub-total	7,691,197	7,451,840
Less: accumulated depreciation	<u>2,021,875</u>	<u>1,821,179</u>
Net book value of assets	<u>\$ 5,669,322</u>	<u>\$ 5,630,661</u>

Long-Term Debt

At year end the school had debt of \$4,523,321 consisting of a Revenue bond and facilities loan further described in Note 7 to the financial statements.

- The school continued to pay down its debt, retiring \$151,736.

FACTORS BEARING ON THE SCHOOL'S FUTURE

- Continue to focus on increasing our student enrollment.
- Continue to make improvements to our existing land and building.

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

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

West Michigan Academy of Arts & Academics, 17350 Hazel Street, Spring Lake, MI 49456

WEST MICHIGAN ACADEMY OF ARTS AND ACADEMICS

STATEMENT OF NET POSITION JUNE 30, 2018

ASSETS AND DEFERRED OUTFLOWS

Current Assets

Cash and cash equivalents	\$ 1,131,131
Investments in debt service	439,885
Accounts receivable	6,085
Due from other governmental units	<u>733,152</u>
Total current assets	2,310,253

Capital Assets - Net of Accumulated Depreciation

5,669,322

Total assets and deferred outflows \$ 7,979,575

LIABILITIES, DEFERRED INFLOWS AND NET POSITION

Current Liabilities

Accounts payable	\$ 27,365
Unearned revenue	2,400
Other accrued expenses	324,280
Long-term debt - current portion	<u>158,862</u>
Total current liabilities	512,907

Long-Term Debt - Long-Term Portion

4,364,459

Net Position

Net investment in capital assets	1,146,001
Restricted for debt service	439,885
Unrestricted	<u>1,516,323</u>
Total net position	<u>3,102,209</u>
Total liabilities, deferred inflows and net position	<u>\$ 7,979,575</u>

See accompanying notes to financial statements

WEST MICHIGAN ACADEMY OF ARTS AND ACADEMICS

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2018

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Revenues and</u>
		<u>Services</u>	<u>Grants</u>	<u>Changes in</u>
				<u>Net Position</u>
				<u>Government</u>
				<u>Type</u>
				<u>Activities</u>
Functions				
Instruction				
Basic programs	\$ 1,939,417	\$ -	\$ 3,100	\$ (1,936,317)
Added needs	301,150	-	301,150	-
Support services				
Pupil support services	150,786	-	150,786	-
Instructional staff support services	71,323	-	13,400	(57,923)
General administration	260,933	-	-	(260,933)
School administration	466,055	-	-	(466,055)
Business support services	40,564	-	-	(40,564)
Operations and maintenance	201,817	-	-	(201,817)
Pupil transportation services	20,150	-	-	(20,150)
Central support services	9,351	-	1,889	(7,462)
Community services	63,832	71,595	-	7,763
Unallocated depreciation	200,696	-	-	(200,696)
Unallocated interest	251,959	-	-	(251,959)
	<u>\$ 3,978,033</u>	<u>\$ 71,595</u>	<u>\$ 470,325</u>	<u>(3,436,113)</u>
General Purpose Revenues				
State school aid - unrestricted				3,471,920
Miscellaneous revenues				45,384
				<u>3,517,304</u>
Change in net position				81,191
Net position - July 1, 2017				<u>3,021,018</u>
Net position - June 30, 2018				<u>\$ 3,102,209</u>

See accompanying notes to financial statements

WEST MICHIGAN ACADEMY OF ARTS AND ACADEMICS

COMBINED BALANCE SHEET – ALL GOVERNMENTAL FUNDS
JUNE 30, 2018

ASSETS

	<u>General</u>	<u>Debt Service</u>	<u>Total</u>
Cash and cash equivalents	\$ 1,131,131	\$ -	\$ 1,131,131
Investments	-	439,885	439,885
Accounts receivable	6,085	-	6,085
Due from other governmental units	<u>733,152</u>	<u>-</u>	<u>733,152</u>
 Total assets	 <u>\$ 1,870,368</u>	 <u>\$ 439,885</u>	 <u>\$ 2,310,253</u>

LIABILITIES AND FUND BALANCE

Liabilities

Accounts payable	\$ 27,365	\$ -	\$ 27,365
Unearned revenue	2,400	-	2,400
Other accrued expenses	<u>264,157</u>	<u>-</u>	<u>264,157</u>
 Total liabilities	 293,922	 -	 293,922

Fund Balance

Restricted	-	439,885	439,885
Unassigned	<u>1,576,446</u>	<u>-</u>	<u>1,576,446</u>
 Total fund balance	 <u>1,576,446</u>	 <u>439,885</u>	 <u>2,016,331</u>
 Total liabilities and fund balance	 <u>\$ 1,870,368</u>	 <u>\$ 439,885</u>	 <u>\$ 2,310,253</u>

See accompanying notes to financial statements

WEST MICHIGAN ACADEMY OF ARTS AND ACADEMICS

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET POSITION OF GOVERNMENTAL ACTIVITIES JUNE 30, 2018

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

Total Governmental Fund Balances	\$ 2,016,331
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$7,691,197 and the accumulated depreciation is \$2,021,875.	5,669,322
Interest is not payable until due in governmental activities and, therefore, is not recorded in the funds.	(60,123)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(4,523,321)</u>
Net Position of Governmental Activities	<u><u>\$ 3,102,209</u></u>

See accompanying notes to financial statements

WEST MICHIGAN ACADEMY OF ARTS AND ACADEMICS

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

	<u>General</u>	<u>Debt Service</u>	<u>Total</u>
Revenues			
Local sources	\$ 113,971	\$ 3,008	\$ 116,979
State sources	3,624,707	-	3,624,707
Federal sources	169,931	-	169,931
Interdistrict sources	147,607	-	147,607
Total governmental fund revenues	<u>4,056,216</u>	<u>3,008</u>	<u>4,059,224</u>
Expenditures			
Instruction			
Basic program	1,939,417	-	1,939,417
Added needs	301,150	-	301,150
Support services			
Pupil support services	150,786	-	150,786
Instructional staff support services	71,323	-	71,323
General administration	260,933	-	260,933
School administration	466,055	-	466,055
Business support services	38,813	1,751	40,564
Operations and maintenance	201,817	-	201,817
Pupil transportation services	20,150	-	20,150
Central support services	9,351	-	9,351
Community services	63,832	-	63,832
Capital outlay	239,357	-	239,357
Debt principal and interest	65,394	334,656	400,050
Total governmental fund expenditures	<u>3,828,378</u>	<u>336,407</u>	<u>4,164,785</u>
Excess (deficiency) of revenues over expenditures	227,838	(333,399)	(105,561)
Other Financing Sources (Uses)			
Operating transfers in	-	337,195	337,195
Operating transfers out	(337,195)	-	(337,195)
Total other financing sources (uses)	<u>(337,195)</u>	<u>337,195</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	(109,357)	3,796	(105,561)
Fund balance - July 1, 2017	<u>1,685,803</u>	<u>436,089</u>	<u>2,121,892</u>
Fund balance - June 30, 2018	<u>\$ 1,576,446</u>	<u>\$ 439,885</u>	<u>\$ 2,016,331</u>

See accompanying notes to financial statements

WEST MICHIGAN ACADEMY OF ARTS AND ACADEMICS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2018

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

Net Change in Fund Balances - Total Governmental Funds	\$	(105,561)
---	----	-----------

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	\$	239,357	
Depreciation and amortization expense		<u>(200,696)</u>	38,661

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	\$	151,736	
Interest expense		<u>(3,645)</u>	<u>148,091</u>

Change in Net Position of Governmental Activities	\$	<u><u>81,191</u></u>
--	----	----------------------

WEST MICHIGAN ACADEMY OF ARTS AND ACADEMICS

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2018

ASSETS

Cash and cash equivalents	<u>\$ 36,189</u>
Total assets	<u><u>\$ 36,189</u></u>

LIABILITIES

Due to student groups	<u>\$ 36,189</u>
Total liabilities	<u><u>\$ 36,189</u></u>

See accompanying notes to financial statements

WEST MICHIGAN ACADEMY OF ARTS AND ACADEMICS

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of West Michigan Academy of Arts and Academics (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

West Michigan Academy of Arts and Academics 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, on June 5, 1996, and began operation in July 1996.

In November 2007, the Academy entered into a seven-year contract with Grand Valley State University's Board of Trustees to charter a public school academy. The contract has been subsequently renewed through June 30, 2022. 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 Grand Valley State University's Board of Trustees three percent of State aid as administrative fees. Total administrative fees paid for the year ended June 30, 2018 were approximately \$103,500.

The Academy entered into an agreement with HR Educational Services, LLC, "HRES" through June 30, 2019. Under the terms of this agreement, HRES will provide a variety of services including payroll, and human resource services. Accounting services will continue to be provided by Advance Accounting Services, Inc. The Academy is obligated to pay HRES 3.86 percent of its gross pay for payroll services, and Advance Accounting Services, Inc. \$1,300 monthly for accounting services. The total paid for these services amounted to \$94,310 for the year ended June 30, 2018.

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 operational or 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.

WEST MICHIGAN ACADEMY OF ARTS AND ACADEMICS

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

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.

Special Revenue Fund - The special revenue fund, which the Academy does not currently maintain, is used to account for the food service program operations. The special revenue fund is a subsidiary operation and is an obligation of the general fund. Therefore any shortfall in the special revenue fund will be covered by an operating transfer from the general fund. The special revenue fund does not maintain its own assets and liabilities; accordingly, no balance sheet is presented for this fund.

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

Capital Projects Fund - The capital projects fund, which the Academy does not currently maintain, accounts for financial resources to be used for the acquisition, construction, or improvement of capital facilities.

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

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

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

WEST MICHIGAN ACADEMY OF ARTS AND ACADEMICS

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

- 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.

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.

WEST MICHIGAN ACADEMY OF ARTS AND ACADEMICS

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

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. State statutes authorize the Academy to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, saving accounts, deposit accounts, and or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Corporation or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The Academy is also authorized to invest in U.S. Government or Federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

Receivables

Receivables at June 30, 2018 consist primarily of state school aid due from the State of Michigan and the federal government. All receivables are expected to be fully collected in July and August of 2018 and are considered current for the purposes of these financial statements.

Prepaid Assets

Payments made to vendors for services that will benefit periods beyond June 30, 2018, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

WEST MICHIGAN ACADEMY OF ARTS AND ACADEMICS

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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 their use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors or laws of 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.

WEST MICHIGAN ACADEMY OF ARTS AND ACADEMICS

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.
- 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.
- 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.

WEST MICHIGAN ACADEMY OF ARTS AND ACADEMICS

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

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - Continued

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 general and special revenue fund budgets. During the year ended June 30, 2018 the budget was amended in a legally permissible manner. The Academy had expenditures in certain budgetary functions that were in excess of the amounts appropriated for the year ended June 30, 2018, as detailed on page 20 of these financial statements, however, total expenditures did not exceed total appropriations.

NOTE 3 - DEPOSITS AND INVESTMENTS

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

Type	S&P Rating	Maturities	Carrying Value
Deposits:			
Demand deposits			\$ 1,167,320
Investments:			
U.S. Treasury and agency obligations	AAAm	Various	<u>439,885</u>
Total deposits and investments			<u>\$ 1,607,205</u>

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

Deposits:			
Cash - General Fund			\$ 1,131,131
Cash - Fiduciary Fund			<u>36,189</u>
Subtotal			1,167,320
Investments:			
Investments - Debt Service			<u>439,885</u>
Total deposits and investments			<u>\$ 1,607,205</u>

WEST MICHIGAN ACADEMY OF ARTS AND ACADEMICS

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

NOTE 3 - DEPOSITS AND INVESTMENTS - Continued

Interest Rate Risk

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

Credit Risk

State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2018, Academy's investments were rated AAAM by Standards & Poor's and Aaa by Moody's Investors Service.

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 represents 100% of the Academy's total investments.

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. As of June 30, 2018, \$956,590 of the Academy's cash was exposed to custodial credit risk because it was uninsured. All cash balances were uncollateralized as of June 30, 2018.

Custodial Credit Risk - Investments

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

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

Foreign Currency Risk

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

WEST MICHIGAN ACADEMY OF ARTS AND ACADEMICS

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

NOTE 3 - DEPOSITS AND INVESTMENTS - Continued

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.
- 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	\$ 656,835
Federal sources	<u>76,317</u>
Total	<u>\$ 733,152</u>

WEST MICHIGAN ACADEMY OF ARTS AND ACADEMICS

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

NOTE 5 - CAPITAL ASSETS

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

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2018</u>
Capital assets not subject to depreciation				
Land	\$ 40,000	\$ 2,565	\$ -	\$ 42,565
Capital assets subject to depreciation				
Building	6,018,394	-	-	6,018,394
Improvements	1,161,638	233,700	-	1,395,338
Equipment	155,897	-	-	155,897
Computer	75,911	3,092	-	79,003
Sub-total	<u>7,451,840</u>	<u>239,357</u>	<u>-</u>	<u>7,691,197</u>
Accumulated depreciation				
Building	1,557,858	150,130	-	1,707,988
Improvements	79,489	37,623	-	117,112
Equipment	112,082	11,025	-	123,107
Computer	71,750	1,918	-	73,668
Sub-total	<u>1,821,179</u>	<u>200,696</u>	<u>-</u>	<u>2,021,875</u>
Total net capital assets	<u>\$ 5,630,661</u>	<u>\$ 38,661</u>	<u>\$ -</u>	<u>\$ 5,669,322</u>

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:

	<u>Net Position</u>	<u>Funds</u>
Purchased services - payroll and benefits	\$ 239,326	\$ 239,326
Oversight and management fee	18,831	18,831
Other expenses	6,000	6,000
Interest expense	60,123	-
Total other accrued expenses	<u>\$ 324,280</u>	<u>\$ 264,157</u>

WEST MICHIGAN ACADEMY OF ARTS AND ACADEMICS

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

NOTE 7 - LONG-TERM OBLIGATIONS PAYABLE

Long-term obligations as of June 30, 2018 can be summarized as follows:

Loan Information

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Other</u>
Facilities loan	3.39%	August, 2019	Secured by building
Revenue bond	5% Average	April, 2043	Semi-annual interest payments, collateralized by pledge for state aid

Loan Activity

	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Retirements and Payments</u>	<u>Balance June 30, 2018</u>	<u>Due Within One Year</u>
Facilities loan	\$ 136,011	\$ -	\$ 61,736	\$ 74,275	\$ 63,862
Revenue bond	4,655,000	-	90,000	4,565,000	95,000
	<u>\$ 4,791,011</u>	<u>\$ -</u>	<u>\$ 151,736</u>	\$ 4,639,275	<u>\$ 158,862</u>
Less unamortized discount				<u>115,954</u>	
				<u>\$ 4,523,321</u>	

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

	<u>Principal</u>	<u>Interest</u>
2019	\$ 158,862	\$ 237,341
2020	110,413	231,459
2021	105,000	226,790
2022	110,000	221,934
2023	115,000	216,846
2024 - 2028	660,000	996,456
2029 - 2033	850,000	813,288
2034 - 2038	1,100,000	562,588
2039 - 2043	1,430,000	228,059

WEST MICHIGAN ACADEMY OF ARTS AND ACADEMICS

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

NOTE 8 - RETIREMENT PLAN

All leased employees of the Academy are eligible to participate in a retirement plan established by HRES which qualifies under the provisions of Section 401(k) of the Internal Revenue Code. The Academy contributes 3% of eligible employees salary and will match up to 4% of employee contributed funds. Eligible employees may contribute up to 15% of their salaries under the terms of this plan.

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>
Transfer In	\$ -	\$ 337,195
Transfer Out	337,195	-

As stipulated by the Academy's revenue bond agreement which is described in Note 7, 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. The 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

WEST MICHIGAN ACADEMY OF ARTS AND ACADEMICS

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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues				
Local sources	\$ 107,618	\$ 110,532	\$ 113,971	\$ 3,439
State sources	3,824,295	3,624,745	3,624,707	(38)
Federal sources	124,752	170,031	169,931	(100)
Interdistrict sources	156,294	147,607	147,607	-
Total general fund revenues	4,212,959	4,052,915	4,056,216	3,301
Expenditures				
Instruction				
Basic programs	2,068,703	1,951,334	1,939,417	(11,917)
Added needs	267,638	302,228	301,150	(1,078)
Support services				
Pupil support services	128,807	151,227	150,786	(441)
Instructional staff support services	58,326	66,555	71,323	4,768
General administration	260,208	265,265	260,933	(4,332)
School administration	518,116	454,687	466,055	11,368
Business support services	36,831	38,814	38,813	(1)
Operations and maintenance	309,877	208,271	201,817	(6,454)
Pupil transportation services	25,010	20,406	20,150	(256)
Central support services	5,409	9,352	9,351	(1)
Community services	72,960	63,954	63,832	(122)
Capital outlay	15,575	247,426	239,357	(8,069)
Debt principal and interest	65,394	65,394	65,394	-
Total general fund expenditures	3,832,854	3,844,913	3,828,378	(16,535)
Excess (deficiency) of revenues over expenditures	380,105	208,002	227,838	19,836
Other Financing Sources (Uses)				
Operating transfers out	(337,195)	(337,195)	(337,195)	-
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	42,910	(129,193)	(109,357)	19,836
Fund balance - July 1, 2017	1,685,803	1,685,803	1,685,803	-
Fund balance - June 30, 2018	\$ 1,728,713	\$ 1,556,610	\$ 1,576,446	\$ 19,836

WEST MICHIGAN ACADEMY OF ARTS AND ACADEMICS

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

Local Sources

Authorizer grant	\$ 8,838
Earnings on investments	1,091
Other local revenues	<u>104,042</u>
Total local sources	113,971

State Sources

At risk	81,908
Special education	70,879
State aid	<u>3,471,920</u>
Total state sources	3,624,707

Federal Sources

IDEA	86,004
Title I	58,638
Title II A	15,289
Other program revenue	<u>10,000</u>
Total federal sources	169,931

Interdistrict Sources

	<u>147,607</u>
Total general fund revenues	<u>\$ 4,056,216</u>

WEST MICHIGAN ACADEMY OF ARTS AND ACADEMICS

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

Basic Programs

Purchased services	\$ 1,830,393
Rentals	12,494
Other purchased services	23,610
Supplies and materials	62,162
Non-depreciable capital assets	8,235
Other expenditures	<u>2,523</u>
Total basic programs	1,939,417

Added Needs

Purchased services	222,859
Supplies and materials	<u>78,291</u>
Total added needs	301,150

Pupil Support Services

Health services	7,700
Psychological services	3,735
Speech pathology and audiology	62,750
Social work services	<u>76,601</u>
Total pupil support services	150,786

Instructional Staff Support Services

Purchased services	51,226
Repairs and maintenance	184
Supplies and materials	3,856
Non-depreciable capital assets	<u>16,057</u>
Total instructional staff support services	71,323

WEST MICHIGAN ACADEMY OF ARTS AND ACADEMICS

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

General Administration

Purchased services	51,680
Management fees	94,310
University oversight	103,524
Other purchased services	10,347
Other expenditures	<u>1,072</u>
Total general administration	260,933

School Administration

Purchased services	452,039
Supplies and materials	6,920
Non-depreciable capital assets	390
Other expenditures	<u>6,706</u>
Total school administration	466,055

Business Support Services

Purchased services	36,185
Other expenditures	<u>2,628</u>
Total business support services	38,813

Operations and Maintenance

Purchased services	75,853
Repairs and maintenance	51,369
Supplies and materials	64,297
Non-depreciable capital assets	<u>10,298</u>
Total operations and maintenance	201,817

Pupil Transportation Services

Purchased services	5,273
Rentals	13,720
Supplies and materials	1,150
Other expenditures	<u>7</u>
Total pupil transportation services	20,150

WEST MICHIGAN ACADEMY OF ARTS AND ACADEMICS

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

Central Support Services

Purchased services	8,024
Other purchased services	<u>1,327</u>
Total central support services	9,351

Community Services

Purchased services	60,782
Supplies and materials	2,558
Other expenditures	<u>492</u>
Total community services	63,832

Capital Outlay

239,357

Debt Principal and Interest

65,394

Total general fund expenditures \$ 3,828,378