

Audited Financial Statements

Tipton Academy

Garden City, Michigan

June 30, 2021

CONTENTS

	<u>Page</u>
Independent Auditor's Report	i - ii
Management's Discussion and Analysis	iii - viii
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
Notes to Financial Statements	7 - 18
Supplementary Information	
Budgetary Comparison Schedule – General Fund	19
Schedule of Revenues – General Fund	20
Schedule of Expenditures – General Fund	21 - 22

CONTENTS – Continued

	<u>Page</u>
Appendix- Federal Awards Report	
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>	A-1 – A-2
Independent Auditor’s Report on Compliance for Each Major Program and On Internal Control Over Compliance Required by the Uniform Guidance	A-3 – A-4
Schedule of Expenditures of Federal Awards	A-5 – A-6
Reconciliation of Basic Financial Statements Federal Revenue with Schedule of Expenditures of Federal Awards	A-7
Notes to Schedule of Expenditures of Federal Awards	A-8
Schedule of Findings and Questioned Costs	A-9 – A-11



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Tipton Academy

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

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Tipton Academy's basic financial statements. The schedules of revenues and expenditures, and schedule of expenditures of federal awards as required for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules of revenues and expenditures, and the schedule of expenditures of federal awards, is the responsibility of management and was derived from and relates 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 schedules of revenues and expenditures, and the schedule of expenditures of federal awards 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 26, 2021, on our consideration of Tipton 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 Tipton 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 Tipton Academy's internal control over financial reporting and compliance.



Croskey Lanni, PC

Rochester, Michigan
October 26, 2021

MANAGEMENT’S DISCUSSION AND ANALYSIS

This section of Tipton Academy’s, annual financial report presents our discussion and analysis of the school’s financial performance during the fiscal year that ended on June 30, 2021. Please read it in conjunction with the school’s financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

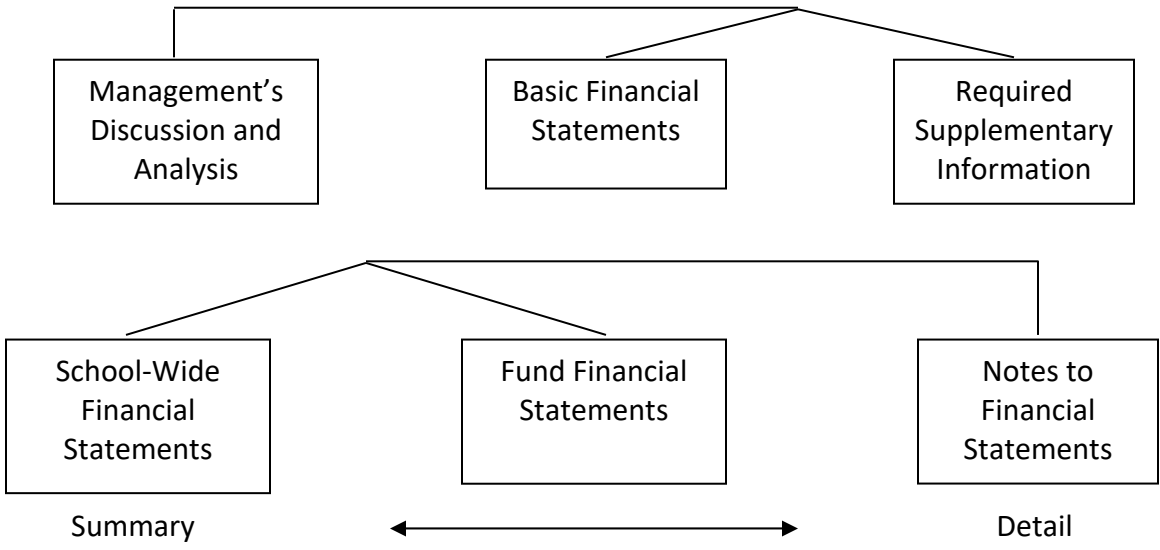
- ❖ The Academy issued bonds at par in the amount of \$6,480,000 and utilized \$250,000 of cash to purchase land and buildings for \$6,000,000, the balance was used to pay bond costs and fund a reserve account.
- ❖ The total cost of basic programs was \$2,072,612.
- ❖ Revenues were at \$5,573,370 while expenditures were \$5,118,435 in the General Fund.
- ❖ Blended enrollment used for state aid purposes was 472.8.
- ❖ In addition to the land/building purchase, the school invested \$75,862 in capital assets.
- ❖ The school has a positive General Fund balance of \$2,155,113.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management’s discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the 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 school’s operations in more detail.
- The governmental fund statements tell how basic services like regular and special education were financed.
- Fiduciary funds statements provide information about the financial relationships in which the 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.

Figure A-1
Organization of Tipton’s Annual Financial Report



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

	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 goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

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

SCHOOL-WIDE STATEMENTS

The school-wide statements report information about the 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 it has 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 assets 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 it’s 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 one kind of fund:

- ❖ *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 explains the relationship (or differences) between them.

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

The school's financial position is the product of many factors.

General Fund Budgetary Analysis

Over the course of the year, the school reviewed and amended the annual operating budget several times.

Financial Outlook

The Tipton Academy's financial forecast continues to be optimistic heading into the 2021-2022 school year.

- ❖ The coronavirus pandemic has created uncertainties for revenues and expenditures. The administration is monitoring events and planning in the event of reduced revenues. The federal government has made available grants of approximately \$2,200,000 to mitigate additional costs related to the virus.
- ❖ Enrollment is expected to be stable for the 2021-2022 school year. The Academy is planning for on-site instruction.
- ❖ The purchase of the facilities will allow the school to allocate the savings (approximately \$250,000 in fiscal 2022) to school programs.

Figure A-3
Tipton Academy's Net Position

	<u>2021</u>	<u>2020</u>
Current and other assets	\$ 3,363,131	\$ 2,905,030
Capital assets	<u>6,222,567</u>	<u>216,798</u>
Total assets and deferred outflows	9,585,698	3,121,828
Long-term debt outstanding	6,480,000	-
Current liabilities	<u>799,338</u>	<u>911,676</u>
Total liabilities	7,279,338	911,676
Net position:		
Net investment in capital assets	(257,433)	216,798
Restricted	427,747	43,176
Unrestricted	<u>2,136,046</u>	<u>1,950,178</u>
Total net position	<u>\$ 2,306,360</u>	<u>\$ 2,210,152</u>

Figure A-4
Changes in Tipton Academy's Net Position

	2021	2020
Revenues:		
Program revenues:		
Charges for services	\$ 161	\$ 16,464
Federal and state operating grants	1,799,550	1,491,641
General revenues:		
State aid – unrestricted	3,850,836	3,775,779
Miscellaneous	37,420	45,036
Total revenues	5,687,967	5,328,920
Expenses:		
Instruction	2,527,307	2,352,107
Support services	2,975,292	2,485,194
Interest on long-term debt	19,067	-
Depreciation	70,093	75,729
Total expenses	5,591,759	4,913,030
Change in net position	\$ 96,208	\$ 415,890

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2021, the school had invested \$6,730,470 in capital assets, including land, buildings, improvements, computers and software. See Figure A-5 below for a listing of capital assets, and the accumulated depreciation.

**Figure A-5
Tipton Academy's Capital Assets**

	Balance June 30, 2021	Balance June 30, 2020
Land	\$ 900,000	\$ -
Building	5,100,000	-
Improvements	59,000	59,000
Furniture	200,958	200,958
Technology	470,512	394,650
Sub-total	6,730,470	654,608
Less: accumulated depreciation	507,903	437,810
Net book value of assets	\$ 6,222,567	\$ 216,798

FACTORS BEARING ON THE SCHOOL'S FUTURE

- Successful navigation of the current learning environment. Related to the pandemic.
- Maintaining staffing levels.
- State aid foundation grant stabilization

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 management office at:

The Romine Group 7877 Stead, Utica, MI 48317 (586)731-5300

TIPTON ACADEMY

STATEMENT OF NET POSITION JUNE 30, 2021

ASSETS AND DEFERRED OUTFLOWS

Current Assets

Cash and cash equivalents	\$ 1,880,089
Investments in debt service and capital projects	386,200
Deposits	10,000
Due from other governmental units	1,061,190
Prepaid expenses	<u>25,652</u>
Total current assets	3,363,131

Capital Assets - Net of Accumulated Depreciation

6,222,567

Total assets and deferred outflows

\$ 9,585,698

LIABILITIES, DEFERRED INFLOWS AND NET POSITION

Current Liabilities

Accounts payable	\$ 251,072
Unearned revenue	117,873
Other accrued expenses	<u>432,887</u>
Total current liabilities	801,832

Long-Term Debt - Long-Term Portion

6,480,000

Net Position

Net investment in capital assets	(257,433)
Restricted for debt services and capital projects	386,200
Restricted for food service	41,547
Unrestricted	<u>2,133,552</u>
Total net position	<u>2,303,866</u>

Total liabilities, deferred inflows and net position

\$ 9,585,698

See accompanying notes to financial statements

TIPTON ACADEMY

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2021

	<u>Expenses</u>	<u>Program Revenues</u>		Net (Expense) Revenues and Changes in Net Position
		<u>Charges for Services</u>	<u>Operating Grants</u>	Government Type Activities
Functions				
Instruction				
Basic programs	\$ 2,072,612	\$ -	\$ 895,918	\$ (1,176,694)
Added needs	454,695	-	454,695	-
Support services				
Pupil support services	171,986	-	76,022	(95,964)
Instructional staff support services	206,823	-	159,794	(47,029)
General administration	602,590	-	-	(602,590)
School administration	385,869	-	18,362	(367,507)
Business support services	344,624	-	-	(344,624)
Operations and maintenance	1,103,371	-	52,095	(1,051,276)
Pupil transportation services	1,469	-	-	(1,469)
Central support services	1,937	-	1,937	-
Other support services	9,528	-	-	(9,528)
Athletics activities	6,918	-	-	(6,918)
Food services	116,226	161	117,516	1,451
Community services	3,234	-	-	(3,234)
Facility acquisition, construction and improvements	23,211	-	23,211	-
Unallocated depreciation	70,093	-	-	(70,093)
Unallocated interest	19,067	-	-	(19,067)
Total primary government	<u><u>\$ 5,594,253</u></u>	<u><u>\$ 161</u></u>	<u><u>\$ 1,799,550</u></u>	<u><u>(3,794,542)</u></u>
General Purpose Revenues				
State school aid - unrestricted				3,850,836
Miscellaneous revenues				37,420
Total general purpose revenues				<u><u>3,888,256</u></u>
Change in net position				93,714
Net position - July 1, 2020				<u><u>2,210,152</u></u>
Net position - June 30, 2021				<u><u>\$ 2,303,866</u></u>

See accompanying notes to financial statements

TIPTON ACADEMY

COMBINED BALANCE SHEET – ALL GOVERNMENTAL FUNDS JUNE 30, 2021

ASSETS

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Non-Major Special Revenue - Food Services</u>	<u>Total</u>
Cash and cash equivalents	\$ 1,880,089	\$ -	\$ -	\$ -	\$ 1,880,089
Investments	-	384,000	2,200	-	386,200
Deposits	10,000	-	-	-	10,000
Due from other governmental units	1,061,190	-	-	-	1,061,190
Due from other funds	-	-	-	41,547	41,547
Prepaid expenses	25,652	-	-	-	25,652
Total assets	<u>\$ 2,976,931</u>	<u>\$ 384,000</u>	<u>\$ 2,200</u>	<u>\$ 41,547</u>	<u>\$ 3,404,678</u>

LIABILITIES AND FUND BALANCE

Liabilities

Accounts payable	\$ 251,072	\$ -	\$ -	\$ -	\$ 251,072
Due to other funds	41,547	-	-	-	41,547
Unearned revenue	117,873	-	-	-	117,873
Other accrued expenses	413,820	-	-	-	413,820
Total liabilities	824,312	-	-	-	824,312

Fund Balance

Nonspendable	35,652	-	-	-	35,652
Restricted	-	384,000	2,200	41,547	427,747
Unassigned	2,116,967	-	-	-	2,116,967
Total fund balance	<u>2,152,619</u>	<u>384,000</u>	<u>2,200</u>	<u>41,547</u>	<u>2,580,366</u>
Total liabilities and fund balance	<u>\$ 2,976,931</u>	<u>\$ 384,000</u>	<u>\$ 2,200</u>	<u>\$ 41,547</u>	<u>\$ 3,404,678</u>

See accompanying notes to financial statements

TIPTON ACADEMY

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET POSITION OF GOVERNMENTAL ACTIVITIES JUNE 30, 2021

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

Total Governmental Fund Balances	\$ 2,580,366
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$6,730,470 and accumulated depreciation is \$507,903.	6,222,567
Interest is not payable until due in governmental activities and, therefore, is not recorded in the funds.	(19,067)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(6,480,000)</u>
Net Position of Governmental Activities	<u><u>\$ 2,303,866</u></u>

See accompanying notes to financial statements

TIPTON ACADEMY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – ALL GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2021

	General	Debt Service	Capital Projects	Non-Major Special Revenue - Food Services	Total
Revenues					
Local sources	\$ 37,420	\$ -	\$ -	\$ 161	\$ 37,581
State sources	4,696,063	-	-	10,242	4,706,305
Federal sources	820,642	-	-	104,194	924,836
Interdistrict sources	19,245	-	-	-	19,245
Total governmental fund revenues	5,573,370	-	-	114,597	5,687,967
Expenditures					
Instruction					
Basic program	2,072,612	-	-	-	2,072,612
Added needs	454,695	-	-	-	454,695
Support services					
Pupil support services	171,986	-	-	-	171,986
Instructional staff support services	206,823	-	-	-	206,823
General administration	602,590	-	-	-	602,590
School administration	385,869	-	-	-	385,869
Business support services	824	-	343,800	-	344,624
Operations and maintenance	1,103,371	-	-	-	1,103,371
Pupil transportation services	1,469	-	-	-	1,469
Central support services	1,937	-	-	-	1,937
Other support services	9,528	-	-	-	9,528
Athletics activities	6,918	-	-	-	6,918
Food services	-	-	-	116,226	116,226
Community services	3,234	-	-	-	3,234
Facility acquisition, construction and improvements	23,211	-	-	-	23,211
Capital outlay	75,862	-	6,000,000	-	6,075,862
Total governmental fund expenditures	5,120,929	-	6,343,800	116,226	11,580,955
Excess (deficiency) of revenues over expenditures	452,441	-	(6,343,800)	(1,629)	(5,892,988)
Other Financing Sources (Uses)					
Proceeds from long-term debt	-	384,000	6,096,000	-	6,480,000
Operating transfers in	-	-	250,000	-	250,000
Operating transfers out	(250,000)	-	-	-	(250,000)
Total other financing sources (uses)	(250,000)	384,000	6,346,000	-	6,480,000
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	202,441	384,000	2,200	(1,629)	587,012
Fund balance - July 1, 2020	1,950,178	-	-	43,176	1,993,354
Fund balance - June 30, 2021	\$ 2,152,619	\$ 384,000	\$ 2,200	\$ 41,547	\$ 2,580,366

See accompanying notes to financial statements

TIPTON ACADEMY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2021

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

Net Change in Fund Balances - Total Governmental Funds	\$ 587,012
---	-------------------

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	\$ 6,075,862	
Depreciation and amortization expense	<u>(70,093)</u>	6,005,769

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:

Proceeds from long-term debt	\$ (6,480,000)	
Interest expense	<u>(19,067)</u>	<u>(6,499,067)</u>

Change in Net Position of Governmental Activities	<u>\$ 93,714</u>
--	-------------------------

See accompanying notes to financial statements

TIPTON ACADEMY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

Tipton Academy was formed as a public school academy pursuant to the Michigan School Code of 1976, as amended by Act No. 362 of the Public Acts of 1993 and Act No. 416 of the Public Acts of 1994. The Academy filed articles of incorporation as a nonprofit corporation pursuant to the provisions of the Michigan Nonprofit Corporation Act of 1982, as amended, on July 30, 2012, and began operation in July 2013.

In July 2018, the Academy entered into a five-year contract with Lake Superior State University's Board of Trustees to charter a public school academy. The contract requires the Academy to act exclusively as a governmental agency and not undertake any action inconsistent with its status as an entity authorized to receive state school aid funds pursuant to the State constitution. The University's Board of Trustees is the fiscal agent for the Academy and is responsible for overseeing the Academy's compliance with the contract and all applicable laws. The Academy pays Lake Superior State University's Board of Trustees three percent of State aid as administrative fees. Total administrative fees paid for the year ended June 30, 2021 were approximately \$127,000.

In July 2018, the Academy entered into an agreement with The Romine Group, Inc., "TRG" to run coterminous with the Contract issued between the Academy and the Lake Superior State University Board of Trustees. Under the terms of this agreement, TRG will provide a variety of services including financial management, educational programs and consulting, as well as teacher training. The Academy is obligated to pay TRG ten percent of its state school aid revenue and all other governmental revenue sources. Total compensation for these services shall not be less than \$175,000 in any one fiscal year for the Academy. The total paid for these services amounted to approximately \$447,000 for the year ended June 30, 2021.

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.

TIPTON ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2021

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 (Food Service)- The special revenue fund 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.

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

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

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

- a. Revenue that is both measurable and available for use to finance operations is recorded as revenue when earned. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Academy considers revenues to be available if they are collected within sixty days of the end of the current fiscal period.
- b. Payments for inventorable types of supplies, which are not significant at year end, are recorded as expenditures at the time of purchase.
- c. Principal and interest of general long-term debt are not recorded as expenditures until their due dates.

TIPTON ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

- 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.

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.

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

TIPTON ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Academy intends to hold the investment until maturity. The Academy held investments in mutual funds that invest solely in U.S. Treasury obligations. The funds are held in trust for debt service and capital projects. State statutes authorize the Academy to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, saving accounts, deposit accounts, and or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Corporation or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The Academy is also authorized to invest in U.S. Government or Federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

Receivables

Receivables at June 30, 2021 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 2021 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, 2021, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

Capital Assets and Depreciation

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

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

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

TIPTON ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Accrued Liabilities and Long-Term Obligations

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

Net Position

Net position represents the difference between assets, deferred outflow 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.

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.

TIPTON ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

- 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.

Upcoming Accounting Pronouncements

In June 2017, the Governmental Accounting Standards Board issued GASB Statement No. 87, *Leases* which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based upon the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The Academy is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the Academy's financial statements for the year ending June 30, 2022.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. State law requires the Academy to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. The Academy is required by law to adopt general and special revenue fund budgets. During the year ended June 30, 2021 the budget was amended in a legally permissible manner. A comparison of budgeted amounts against actual results is detailed on page 19 of these financial statements.

TIPTON ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 3 - DEPOSITS AND INVESTMENTS

As of June 30, 2021, the Academy had the following investments:

<u>Type</u>	<u>S&P Rating</u>	<u>Maturities</u>	<u>Carrying Value</u>
Deposits:			
Demand deposits			\$ 1,880,089
Investments:			
U.S. Treasury and agency obligations	AAAm	Various	<u>386,200</u>
Total deposits and investments			<u>\$ 2,266,289</u>

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

Deposits:			
Cash - Academy Wide			\$ 1,880,089
Investments:			
Investments - Debt Service			384,000
Investments - Capital Projects			<u>2,200</u>
Subtotal			<u>386,200</u>
Total deposits and investments			<u>\$ 2,266,289</u>

Interest Rate Risk

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

Credit Risk

State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2021, the 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.

TIPTON ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 3 - DEPOSITS AND INVESTMENTS - Continued

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, 2021, \$1,883,109 of the Academy's cash was exposed to custodial credit risk as it was not covered by federal deposit insurance. All cash balances were uncollateralized as of June 30, 2021.

Custodial Credit Risk - Investments

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

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

Foreign Currency Risk

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

Fair Value

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

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

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

TIPTON ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 4 - DUE FROM OTHER GOVERNMENTAL UNITS

Amounts due from other governmental units consist of the following:

State sources	\$ 853,626
Federal sources	<u>207,564</u>
Total	<u><u>\$ 1,061,190</u></u>

NOTE 5 - CAPITAL ASSETS

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

	<u>Balance July 1, 2020</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2021</u>
Capital assets not subject to depreciation				
Land	\$ -	\$ 900,000	\$ -	\$ 900,000
Capital assets subject to depreciation				
Building	-	5,100,000	-	5,100,000
Improvements	59,000	-	-	59,000
Furniture	200,958	-	-	200,958
Technology	<u>394,650</u>	<u>75,862</u>	<u>-</u>	<u>470,512</u>
Sub-total	654,608	6,075,862	-	6,730,470
Accumulated depreciation				
Building	-	10,897	-	10,897
Improvements	12,372	3,933	-	16,305
Furniture	124,134	19,937	-	144,071
Technology	<u>301,304</u>	<u>35,326</u>	<u>-</u>	<u>336,630</u>
Sub-total	<u>437,810</u>	<u>70,093</u>	<u>-</u>	<u>507,903</u>
Total net capital assets	<u><u>\$ 216,798</u></u>	<u><u>\$ 6,005,769</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 6,222,567</u></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.

TIPTON ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2021

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	\$ 255,936	\$ 255,936
Management fee	102,543	102,543
University oversight fee	22,986	22,986
Interest	32,355	32,355
	<u>19,067</u>	<u>-</u>
Total other accrued expenses	<u>\$ 432,887</u>	<u>\$ 413,820</u>

NOTE 7 – LONG-TERM OBLIGATIONS PAYABLE

Long-term obligations as of June 30, 2021 can be summarized as follows:

Loan Information

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Other</u>
Revenue bond	4% Average	June, 2051	Semi-annual interest payments, collateralized by pledge for state aid

Loan Activity

	<u>Balance July 1, 2020</u>	<u>Additions</u>	<u>Retirements and Payments</u>	<u>Balance June 30, 2021</u>	<u>Due Within One Year</u>
Revenue bond	<u>\$ -</u>	<u>\$ 6,480,000</u>	<u>\$ -</u>	<u>\$ 6,480,000</u>	<u>\$ -</u>

TIPTON ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 7 – LONG-TERM OBLIGATIONS PAYABLE - Continued

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>
2022	\$ -	\$ 257,760
2023	120,000	259,200
2024	125,000	254,400
2025	130,000	249,400
2026	135,000	244,200
2027 - 2031	775,000	1,134,000
2032 - 2036	945,000	966,400
2037 - 2041	1,150,000	762,000
2042 - 2046	1,400,000	512,000
2047 - 2051	1,700,000	209,200

NOTE 8– OPERATING LEASES

Lease Information

	<u>Maturity Date</u>	<u>Approximate Payment</u>	<u>Other</u>
Facility Lease, Belton	June, 2023	\$26,000 monthly	Monthly rent calculated at 1/12th of 10% of per pupil state aid for students in the facility. Rent shall not be less than \$14,750 per month.
Facility Lease, Florence	August, 2023	\$17,700 monthly	Monthly rent calculated at 1/12th of 11% of per pupil state aid for students in the facility. Rent shall not be less than \$14,750 per month.

The above leases ended June 3, 2021 with the purchase of the buildings. Therefore, there are no lease obligations subsequent coming due. Total rent expense included in the statement of activities for the year ended June 30, 2021 amounted to approximately \$510,560.

TIPTON ACADEMY

NOTES TO FINANCIAL STATEMENTS – Continued
FOR THE YEAR ENDED JUNE 30, 2021

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>Capital Projects</u>
Transfer In	\$ -	\$ 250,000
Transfer Out	250,000	-

NOTE 10 - RETIREMENT PLAN

All employees leased by the Academy are eligible to participate in a retirement plan established by The Romine Group, which qualifies under the provisions of Section 401(k) of the Internal Revenue Code. The employer under this plan will contribute 4% of salaries regardless of the amount of the employee contribution. The employer will additionally 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 11 – 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.

NOTE 12 – CONTINGENCIES

The COVID-19 pandemic that the world is experiencing is unprecedented. It is nearly impossible to fully anticipate the long term effects the impact it will have on the economy and the Academy's operations. As of the date of these financial statements, the Academy continues to evaluate and implement risk mitigation tactics including all aspects of the Academy's activities related to public school education, relationships with local, state, and federal government funding sources, compliance with the requirements of these funding sources and with business transactions with customers, vendors and human interaction within and outside of the Academy.

SUPPLEMENTARY INFORMATION

TIPTON ACADEMY

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues				
Local sources	\$ 19,000	\$ 26,827	\$ 37,420	\$ 10,593
State sources	4,355,404	4,797,338	4,696,063	(101,275)
Federal sources	592,508	888,086	820,642	(67,444)
Interdistrict sources	-	23,400	19,245	(4,155)
Total general fund revenues	4,966,912	5,735,651	5,573,370	(162,281)
Expenditures				
Instruction				
Basic programs	1,860,783	2,302,997	2,072,612	(230,385)
Added needs	771,157	478,508	454,695	(23,813)
Support services				
Pupil support services	143,450	185,000	171,986	(13,014)
Instructional staff support services	71,988	241,565	206,823	(34,742)
General administration	567,033	601,473	602,590	1,117
School administration	401,657	441,265	385,869	(55,396)
Business support services	1,000	1,000	824	(176)
Operations and maintenance	1,062,059	1,246,262	1,103,371	(142,891)
Pupil transportation services	14,300	2,500	1,469	(1,031)
Central support services	-	-	1,937	1,937
Other support services	25,500	31,480	9,528	(21,952)
Athletics	10,483	9,424	6,918	(2,506)
Community services	1,420	-	3,234	3,234
Facility acquisition, construction, and improvements	-	33,913	23,211	(10,702)
Capital outlay	-	350,140	75,862	(274,278)
Total general fund expenditures	4,930,830	5,925,527	5,120,929	(804,598)
Excess (deficiency) of revenues over expenditures	36,082	(189,876)	452,441	642,317
Other Financing Sources (Uses)				
Operating transfers out	(4,020)	-	(250,000)	(250,000)
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	32,062	(189,876)	202,441	392,317
Fund balance - July 1, 2020	1,950,178	1,950,178	1,950,178	-
Fund balance - June 30, 2021	\$ 1,982,240	\$ 1,760,302	\$ 2,152,619	\$ 392,317

TIPTON ACADEMY

SCHEDULE OF REVENUES – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2021

Local Sources

Other local revenues	\$ 37,420
----------------------	-----------

State Sources

At risk	265,453
Great start readiness program	485,597
Headlee data collection	12,284
Special education	94,177
State aid	<u>3,838,552</u>

Total state sources	4,696,063
---------------------	-----------

Federal Sources

IDEA	118,208
Title I	242,871
Title II A	16,351
Title IV	36,390
Title IV	<u>406,822</u>

Total federal sources	820,642
-----------------------	---------

Interdistrict Sources

	<u>19,245</u>
--	---------------

Total general fund revenues	<u>\$ 5,573,370</u>
-----------------------------	---------------------

TIPTON ACADEMY

SCHEDULE OF EXPENDITURES – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2021

Basic Programs

Purchased services	\$ 1,783,197
Supplies and materials	261,738
Other expenditures	<u>27,677</u>
Total basic programs	2,072,612

Added Needs

Purchased services	422,574
Supplies and materials	<u>32,121</u>
Total added needs	454,695

Pupil Support Services

Health services	13,006
Psychological services	13,553
Speech pathology and audiology	79,090
Social work services	<u>66,337</u>
Total pupil support services	171,986

Instructional Staff Support Services

Purchased services	161,461
Supplies and materials	44,789
Other expenditures	<u>573</u>
Total instructional staff support services	206,823

General Administration

Purchased services	27,825
Management fees	447,047
University oversight	127,039
Other expenditures	<u>679</u>
Total general administration	602,590

School Administration

Purchased services	371,472
Supplies and materials	9,767
Other expenditures	<u>4,630</u>
Total school administration	385,869

TIPTON ACADEMY

SCHEDULE OF EXPENDITURES – GENERAL FUND - CONTINUED FOR THE YEAR ENDED JUNE 30, 2021

Business Support Services

Purchased services	753
Other expenditures	71
	<hr/>
Total business support services	824

Operations and Maintenance

Purchased services	111,560
Repairs and maintenance	405,102
Rentals	510,557
Supplies and materials	76,152
	<hr/>
Total operations and maintenance	1,103,371

Pupil Transportation Services

Purchased services	1,394
Supplies and materials	75
	<hr/>
Total pupil transportation services	1,469

Central Support Services

Purchased services	1,937
--------------------	-------

Other Support Services

Other expenditures	9,528
--------------------	-------

Athletic Activities

Purchased services	6,918
--------------------	-------

Community Services

Purchased services	3,234
--------------------	-------

Facility Acquisition, Construction, and Improvements

23,211

Capital Outlay

75,862

Total general fund expenditures \$ 5,120,929

APPENDIX

Federal Awards Report



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 Tipton Academy**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Tipton Academy, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Tipton Academy's basic financial statements, and have issued our report thereon dated October 26, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Tipton Academy's internal control over financial reporting (internal control) as a basis for designing audit 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 Tipton Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of Tipton 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 Tipton 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.



Croskey Lanni, PC

Rochester, Michigan
October 26, 2021



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

**To the Board of Directors
of Tipton Academy**

We have audited Tipton Academy's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Tipton Academy's major federal programs for the year ended June 30, 2021. Tipton Academy's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Tipton Academy's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Tipton Academy's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Tipton Academy's compliance.

Opinion on Each Major Federal Program

In our opinion, Tipton Academy complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2021-001. Our opinion on each major program is not modified with respect to this matter.

The Academy's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Academy's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of Tipton Academy is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Tipton Academy's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Tipton Academy's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Croskey Lanni, PC

Rochester, Michigan
October 26, 2021

TIPTON ACADEMY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2021

Program Title/Project Number Subrecipient Name	Grant/ Project Number	CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue at July 1, 2020	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2021	Current Year Cash Transferred To Subrecipient
Clusters:										
Child Nutrition Cluster - U.S. Department of Agriculture - Passed Through Michigan Department of Education:										
Noncash Assistance (Commodities) -										
National Lunch Program Commodities 2020-21	N/A	10.555	\$ 18,170	\$ -	\$ -	\$ -	\$ 2,180	\$ 2,180	\$ -	\$ -
Cash Assistance:										
National School Lunch Program 2019-20 - COVID-19	200902	10.555	<u>129,479</u>	<u>129,479</u>	<u>8,251</u>	<u>-</u>	<u>8,251</u>	<u>-</u>	<u>-</u>	<u>-</u>
National School Lunch Program (including commodities) Subtotal		10.555	147,649	129,479	8,251	-	10,431	2,180	-	-
Summer Food Service Program Operating 2020-21	200900/ 210904	10.559	<u>94,590</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>94,590</u>	<u>102,014</u>	<u>7,424</u>	<u>-</u>
Total Child Nutrition Cluster			242,239	129,479	8,251	-	105,021	104,194	7,424	-
Special Education Cluster - U.S. Department of Education - Passed through the Wayne County RESA:										
IDEA Flowthrough:										
IDEA Flowthrough 1920	201450	84.027	104,704	104,704	104,704	-	104,704	-	-	-
IDEA Flowthrough 2021	211450	84.027	<u>118,208</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>68,217</u>	<u>118,208</u>	<u>49,991</u>	<u>-</u>
Total Special Education Cluster			222,912	104,704	104,704	-	172,921	118,208	49,991	-

See accompanying notes to schedule of expenditures of federal awards

TIPTON ACADEMY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - Continued
FOR THE YEAR ENDED JUNE 30, 2021

Program Title/Project Number Subrecipient Name	Grant/ Project Number	CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue at July 1, 2020	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2021	Current Year Cash Transferred To Subrecipient
Other Federal Awards:										
U.S. Department of Education - Passed Through the Michigan Department of Education:										
Title I Part A:										
Title I Part A 1920	201530	84.010	285,188	248,340	248,340	-	248,340	-	-	-
Title I Part A 2021	211530	84.010	273,146	-	-	-	160,802	242,871	82,069	-
Total Title I Part A		84.010	558,334	248,340	248,340	-	409,142	242,871	82,069	-
Title II Part A - Supporting Effective Instruction:										
Title II Part A 1920	200520	84.367	50,359	28,353	28,353	-	28,353	-	-	-
Title II Part A 2021	210520	84.367	47,490	-	-	-	16,351	16,351	-	-
Total Title II Part A		84.367	97,849	28,353	28,353	-	44,704	16,351	-	-
Title IV Part A - Student Support and Academic Enrichment:										
Title IV Part A 2021	210750	84.424	36,390	-	-	-	21,728	36,390	14,662	-
Education Stabilization Fund:										
Governor's Emergency Education Relief (GEER) Fund 2021 - COVID-19	201200	84.425	36,206	-	-	-	36,206	36,206	-	-
Elementary and Secondary School Emergency Relief Fund 1920 (ESSER I) - COVID-19	203710	84.425	203,402	-	-	-	143,955	197,373	53,418	-
Total Education Stabilization Fund		84.425	239,608	-	-	-	180,161	233,579	53,418	-
U.S. Department of Treasury - Passed Through the Michigan Department of Education:										
Coronavirus Relief Fund:										
CRF State Aid 2021 - COVID-19	11(p)	21.019	167,352	-	-	-	167,352	167,352	-	-
District COVID Costs 2021 - COVID-19	103(2)	21.019	5,891	-	-	-	5,891	5,891	-	-
Total Coronavirus Relief Fund		21.019	173,243	-	-	-	173,243	173,243	-	-
Total Federal Awards			<u>\$1,570,575</u>	<u>\$ 510,876</u>	<u>\$ 389,648</u>	<u>\$ -</u>	<u>\$1,106,920</u>	<u>\$ 924,836</u>	<u>\$ 207,564</u>	<u>\$ -</u>

See accompanying notes to schedule of expenditures of federal awards

TIPTON ACADEMY

RECONCILIATION OF BASIC FINANCIAL STATEMENTS FEDERAL REVENUE AND RECEIVABLES WITH SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2021

Revenues to Expenditures

Revenue from federal sources - As reported on modified accrual financial statements
(includes all funds):

General Fund	\$ 820,642
Special Revenue Fund - Food Services	<u>104,194</u>
Federal expenditures per the schedule of expenditures of federal awards	<u>\$ 924,836</u>

TIPTON ACADEMY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of Tipton Academy under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Tipton Academy, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Tipton Academy.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3 – INDIRECT COST RATE

Tipton Academy has elected to not use the 10-percent *de minimis* indirect cost rate allowed under the Uniform Guidance.

NOTE 4 - NONCASH ASSISTANCE

The value of the noncash assistance received was determined in accordance with the provisions of Uniform Guidance.

NOTE 5 - GRANT AUDITOR REPORT

Management has utilized the Grant Auditor's report in preparing the schedule of expenditures of federal awards. Unreconciled differences, if any, have been disclosed to the auditor.

TIPTON ACADEMY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021

SECTION I - SUMMARY OF THE AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
 - Significant deficiency(ies) identified that are not considered to be a material weakness(es)? yes none reported
- Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not considered to be a material weakness(es)? yes none reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? yes no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
21.019	Coronavirus Relief Fund
84.010	Title I Part A

Dollar threshold used to distinguish between Type A and Type B programs as described in 2 CFR section 200.518(b): \$750,000

Auditee qualified as low-risk auditee? yes no

TIPTON ACADEMY

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021**

SECTION II – FINANCIAL STATEMENT FINDINGS

NONE

TIPTON ACADEMY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2021

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Reference Number	Findings
---------------------	----------

2021-001

Program Income

Finding Type – Noncompliance with laws and regulations.

Criteria – In accordance with 7 CFR 210.19(a)(2), the Academy’s Nonprofit School Food Service Account’s (NSFSA) fund balance, or net cash resources, must not exceed three months’ average expenditures.

Condition – The Academy’s NSFSA’s fund balance exceeded the allowable three months’ average expenditures balance at June 30, 2021. The Academy had approximately 4.29 months of expenditures as fund balance at June 30, 2021. The Academy will be required to submit a Plan of Action and obtain Michigan Department of Education’s (MDE) prior approval to improve the food quality or take other action designed to improve the program in accordance with 7 CFR 210.19(a)(2).

Questioned Costs – None

Cause – Unknown

Effect – The Academy is not in compliance with U.S. Department of Agriculture regulations.

Recommendation – The Academy should submit a Plan of Action and obtain Michigan Department of Education’s (MDE) prior approval to improve the food quality or take other action designed to improve the program in accordance with 7 CFR 210.19(a)(2).

Auditee Response – The Academy agrees with the finding and is implementing procedures in order to prevent this noncompliance in the future.