

**Ojibwe Charter School**

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**Financial Report  
with Supplementary Information**

**June 30, 2017**

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**CERTIFIED PUBLIC ACCOUNTANTS**

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**Independent Auditor's Report**

Members of the Board of Education  
Ojibwe Charter School  
Brimley, Michigan

***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, of the Ojibwe Charter School, as of and for the year ending June 30, 2017, and the related notes to the financial statements which collectively comprise the School'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.

Members of the Board of Education  
Ojibwe Charter School

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Ojibwe Charter School, as of June 30, 2017, 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 on pages 3 through 8 and pages 25 through 26 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 Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 2017 on our consideration of the Ojibwe Charter School'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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Ojibwe Charter School's internal control over financial reporting and compliance.



**Anderson, Tackman & Company, PLC**  
**Certified Public Accountants**  
**Kincheloe, Michigan**

August 30, 2017

## **Management's Discussion and Analysis**

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Ojibwe Charter School is a K-12 Public School Academy located in Chippewa County, Michigan. This Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Ojibwe Charter School administration's discussion and analysis of the financial results for the fiscal year ended June 30, 2017.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

U.S. generally accepted accounting principles (GAAP) according to GASB 34 requires the reporting of two types of financial statements: Government-wide Financial Statements and Fund Financial Statements.

**Fund Financial Statements:**

For the most part, the fund financial statements are comparable to general purpose financial statements. The primary difference is that the Account Groups: General Fixed Assets and General Long-Term Debt are no longer reported. The fund level statements are reported on a modified accrual basis. Only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual." In the State of Michigan, the School's major instruction and instructional support activities are reported in the General Fund. Additional governmental activities are reported in their relevant Special Revenue Funds.

In the fund financial statements, capital assets purchased are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

**Government-wide Financial Statements:**

The government-wide financial statements are maintained using the "full accrual" basis. They report all of the School's assets and liabilities, both short and long term, regardless if they are "currently available" or not. For example, assets that are restricted for use in the Debt Funds solely for the payment of long term principal or interest are grouped with unrestricted assets of the General Fund. Capital assets and long-term obligations of the School are reported in the Statement of Net Position of the government-wide financial statements.

**FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE**

**Summary of Net Position:**

The following summarizes the net position at fiscal year ended June 30, 2016 and 2017:

Net Position Summary

	<b>Governmental Activities</b>	
	<b>2016</b>	<b>2017</b>
<b>Assets</b>		
Current assets	\$ 677,349	\$ 753,347
Capital assets	515,526	524,254
Less: accumulated depreciation	(389,608)	(389,653)
Capital assets, net book value	125,918	134,601
Total assets	<u>\$ 803,267</u>	<u>\$ 887,948</u>
<b>Liabilities</b>		
Current liabilities	\$ 118,064	\$ 129,101
Noncurrent liabilities	27,860	58,175
Total liabilities	<u>\$ 145,924</u>	<u>\$ 187,276</u>
<b>Net Position</b>		
Net investment in capital assets	\$ 85,275	\$ 63,813
Restricted for food service	13,624	16,107
Unrestricted	558,444	620,752
Total net position	<u>\$ 657,343</u>	<u>\$ 700,672</u>

**FINANCIAL ANALYSIS OF THE SCHOOL’S FUNDS**

During fiscal year ended June 30, 2017, the School’s net position increased by \$43,329 as compared to a net increase of \$85,460 in the prior fiscal year with enrollment remaining consistent. An issue facing the Board is the sustainability of keeping smaller class sizes to maximize student achievement. This is going to be dependent upon continued funding in the Impact Aid Grant from the U.S. Department of Education. Future funding levels are uncertain at this time.

As of the 2016/2017 fiscal year, the School has contracted with the EUPISD for business manager services, who is responsible for the accounting duties.

**A. Results of Operations:**

For the fiscal year ended June 30, 2016 and 2017, the School wide results of operations were:

	<b>Governmental Activities</b>			
	<b>2016</b>		<b>2017</b>	
	Amount	% of Total	Amount	% of Total
<b>General revenue:</b>				
State of Michigan aid - unrestricted	\$ 708,621	48.14%	\$ 807,741	53.40%
Federal Impact aid	465,937	31.65%	442,257	29.24%
Other	9,314	0.63%	13,227	0.88%
Total general revenue	<u>1,183,872</u>	<u>80.42%</u>	<u>1,263,225</u>	<u>83.52%</u>
<b>Program revenue:</b>				
Charges for services	4,641	0.31%	6,071	0.40%
Operating and capital grants	283,635	19.27%	243,214	16.08%
Total program revenue	<u>288,276</u>	<u>19.58%</u>	<u>249,285</u>	<u>16.48%</u>
Total revenue	<u>1,472,148</u>	<u>100.00%</u>	<u>1,512,510</u>	<u>100.00%</u>
<b>Expenses:</b>				
Instruction	666,003	48.03%	728,532	49.59%
Support services	597,619	43.10%	627,147	42.69%
Food and community services	95,057	6.85%	83,068	5.65%
Interest expense	1,384	0.10%	1,941	0.13%
Depreciation (unallocated)	26,625	1.92%	28,493	1.94%
Total expenses	<u>1,386,688</u>	<u>100.00%</u>	<u>1,469,181</u>	<u>100.00%</u>
Increase (decrease) in net position	85,460		43,329	
Net Position - Beginning	<u>571,883</u>		<u>657,343</u>	
Net Position - Ending	<u>\$ 657,343</u>		<u>\$ 700,672</u>	

**B. State of Michigan Aid, Unrestricted**

The State of Michigan aid, unrestricted is determined by the following variables:

- Per Student, Foundation Allowance: Annually, the State of Michigan sets the per student foundation allowance. The Ojibwe Charter School foundation allowance was \$7,511 per student for the 2016/2017 school year.
- Student Enrollment: The School's student enrollment for the fall count of 2016/2017 was 110 students. For the fiscal year 2016/2017 a membership blend of 90% of current year fall student count (September 2016) and 10% of the prior year winter student count (February 2017) is multiplied by the School's foundation allowance.

Subsequent to year end June 30, 2017, preliminary student enrollments for 2017/2018 indicate that the 2017 fall student enrollment will be fairly consistent with 2016/2017 levels.



**C. General Fund Budgetary Highlights**

**General Fund Operations**

The School’s revenues and other sources from General Fund operations were more than expenditures and other uses by \$56,812 for the fiscal year ended June 30, 2017. The board and administration has made an effort to contain costs during the fiscal year.

**Final Budget vs. Actual**

<u>Fiscal Year</u>	<u>Final Budget</u>	<u>Final Actual</u>
Revenues		
2015-2016	\$ 1,404,771	\$ 1,407,568
2016-2017	\$ 1,569,646	\$ 1,559,814
Expenditures		
2015-2016	\$ 1,390,822	\$ 1,335,335
2016-2017	\$ 1,569,110	\$ 1,503,002

**Original vs. Final Budget**

The Uniform Budget and Accounting Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year.

As a matter of practice, Ojibwe Charter School amends its budget periodically as needed during the school year. For the fiscal year 2016/2017, the budget was amended twice due to funding changes. The June budget amendment was the final budget for the fiscal year. The Ojibwe Charter School Board does not budget for expenditures covered by grants or for the grant revenue until an award is received.

**Change from Original to Final General Fund Budget**

**Revenues:**

Total Revenues Original Budget	\$ 1,348,613
Total Revenues Final Budget	<u>1,569,646</u>
Increase in Budgeted Revenues	<u>\$ 221,033</u>

The School’s final general fund actual revenues were less than the final budget by \$9,832.

The following are the significant changes in revenues from the original budget:

- Decrease in funds from Federal Impact Aid.
- The original state revenue budget was based on an estimated enrollment of 98 students. The actual was 110.
- State At Risk, Federal Title I and II A funds approved were not fully spent. Unexpended At Risk funds were deferred at year end.

**C. General Fund Budgetary Highlights**

**Expenditures:**

The School’s general fund budget for expenditures changed as follows during the year:

Total Expenditures Original Budget	\$ 1,381,513
Total Expenditures Final Budget	<u>1,569,110</u>
Increase in Budgeted Expenditures	<u>\$ 187,597</u>

The School’s actual expenditures were less than final budget by \$66,287. This variance was a result of lower than budgeted staff costs due to more senior staff replacements, and a concerted effort by administration to contain costs. Some budgeted expenditures have been delayed to fiscal 2017/2018.

The following are the significant changes in expenditures from the original budget:

- Various capital budgets were not fully expended as of June 30, 2017, but planned for in 2017/2018.
- Various supply budgets were not fully expended.
- Reduced staff costs due to more senior staff being replaced by newer, lower cost staff.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**A. Capital Assets**

The School’s net investment in capital assets increased by \$8,683 during the fiscal year. This is summarized as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Depreciable capital assets	\$ 515,526	\$ 84,590	\$ (75,862)	\$ 524,254
Less: accumulated depreciation	<u>(389,608)</u>	<u>(28,493)</u>	<u>28,448</u>	<u>(389,653)</u>
Net investment in capital assets	<u>\$ 125,918</u>	<u>\$ 56,097</u>	<u>\$ (47,414)</u>	<u>\$ 134,601</u>

**B. Depreciation Expense**

GASB 34 requires Public School Academies to maintain a record of annual depreciation expense and accumulated depreciation. The net increase in accumulated depreciation expense is a reduction in net position in the entity wide financial statements. Depreciation is not recognized in the fund financial statements and has been noted as a reconciling item in the School’s financial statements.

For fiscal year ended June 30, 2017, the net increase in accumulated depreciation was \$45.

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of assets. In accordance with U.S. generally accepted accounting principles (GAAP), depreciation expense is recorded based on the original cost of the asset, less an estimated salvage value.

**C. Debt, Principal Payments**

	<u>Balance 6/30/2016</u>	<u>New Financing</u>	<u>Principal Payments</u>	<u>Balance 6/30/2017</u>
Notes payable - Bus	<u>\$ 40,643</u>	<u>\$ 80,000</u>	<u>\$ 49,855</u>	<u>\$ 70,788</u>

**ECONOMIC FACTORS AND NEXT YEAR’S BUDGET**

The Preliminary Budget for the 2017/2018 Fiscal Year was adopted by the Board of Education in June 2017 using management’s best estimates based on perceived interest from the community. Some key factors and estimates used in the 2017/2018 budget preparation process include:

- ❖ The State of Michigan aid foundation had been estimated to be \$7,586 per pupil.
- ❖ Enrollment projections of 108 students.
- ❖ Current teaching staff provides one teacher for every 8 students.
- ❖ Benefit costs would be based on group coverage rates through Michigan Education Personnel Services.

Since the School’s revenue is heavily dependent on State funding and the health of the State’s School Aid Fund, the actual revenue received depends on the State’s ability to collect revenues to fund its appropriation to School Districts and Public School Academies. The State periodically holds revenue-estimating conferences to estimate what the State’s available resources will be throughout the remainder of its fiscal year. Based on the results of the most recent conference, the State has estimated that funds will be sufficient to fund current appropriations.

**CONTACTING THE SCHOOL’S MANAGEMENT**

This financial report is designed to provide our citizens and parents with a general overview of the School’s finances. If you have questions about this report or need additional information, contact the Administration Office, Ojibwe Charter School, 11507 West Industrial Drive, Brimley, Michigan.

## **Basic Financial Statements**

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**Statement of Net Position  
June 30, 2017**

	<u>Governmental Activities</u>
<b>Assets:</b>	
Cash and equivalents	\$ 569,420
Due from other governmental units	170,028
Accounts receivable	126
Prepaid items	12,989
Inventory	784
Capital assets, depreciated	<u>134,601</u>
Total assets	<u>887,948</u>
<b>Liabilities:</b>	
Accounts payable	\$ 19,901
Accrued salaries and withholdings	86,505
Unearned revenue	10,082
Notes payable - due within one year	12,613
Notes payable - due in more than one year	<u>58,175</u>
Total liabilities	<u>187,276</u>
<b>Net Position:</b>	
Net investment in capital assets	63,813
Restricted for food service	16,107
Unrestricted	<u>620,752</u>
Total net position	<u><u>\$ 700,672</u></u>

**Statement of Activities**  
**Year Ended June 30, 2017**

	Program Revenues			Governmental Activities	
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Net (Expense) Revenue and Changes in Net Position
<b>Functions/Programs</b>					
Governmental Activities:					
Instruction	\$ 728,532	\$ -	\$ 92,059	\$ -	\$ (636,473)
Support Services	627,147	-	-	82,391	(544,756)
Food Services	82,131	6,071	68,764	-	(7,296)
Community Services	937	-	-	-	(937)
Interest Expense	1,941	-	-	-	(1,941)
Depreciation Expense (Unallocated)	28,493	-	-	-	(28,493)
	<u>\$ 1,469,181</u>	<u>\$ 6,071</u>	<u>\$ 160,823</u>	<u>\$ 82,391</u>	<u>(1,219,896)</u>
Total Governmental Activities					
General Revenues:					
					807,741
					442,257
					5,284
					7,943
					<u>1,263,225</u>
Total general revenues					
<b>Changes in Net Position</b>					43,329
Net Position:					
					657,343
					<u>\$ 700,672</u>

# Ojibwe Charter School

## Balance Sheet Governmental Funds June 30, 2017

	General	Food Service	Total Governmental Funds
<b>Assets</b>			
Cash and equivalents	\$ 553,318	\$ 16,102	\$ 569,420
Due from other governmental units	169,840	188	170,028
Accounts receivable	126	-	126
Prepaid items	12,989	-	12,989
Inventory	-	784	784
	<u>\$ 736,273</u>	<u>\$ 17,074</u>	<u>\$ 753,347</u>
<b>Liabilities</b>			
Accounts payable	\$ 19,901	\$ -	\$ 19,901
Accrued salaries and benefits	86,505	-	86,505
Unearned revenue	75,266	183	75,449
	<u>181,672</u>	<u>183</u>	<u>181,855</u>
<b>Fund Balances</b>			
Nonspendable	12,989	784	13,773
Restricted for food service	-	16,107	16,107
Unassigned	541,612	-	541,612
	<u>554,601</u>	<u>16,891</u>	<u>571,492</u>
Total fund balances	<u>\$ 736,273</u>	<u>\$ 17,074</u>	

Amounts reported for governmental activities in the statement of net position are different because:  
Capital assets used in governmental activities are not financial resources and are not reported in the funds.

The cost of the capital assets is	\$ 524,254	
Accumulated depreciation is	(389,653)	
		134,601
Long term liabilities are not due and payable in the current period and are not reported in the funds:		
Notes payable		(70,788)
Grant revenues earned but not recognized in the fund.		65,367
		<u>700,672</u>
Net position of governmental activities		<u>\$ 700,672</u>

**Statement of Revenue, Expenditures, and  
Changes in Fund Balances  
Governmental Funds  
Year Ended June 30, 2017**

	General	Food Service	Totals
<b>Revenues</b>			
Local Sources	\$ 6,570	\$ 6,071	\$ 12,641
State Sources	887,146	932	888,078
Federal Sources	532,027	67,832	599,859
Other	54,071	-	54,071
Other Financing Sources	80,000	-	80,000
Total Revenues	<u>1,559,814</u>	<u>74,835</u>	<u>1,634,649</u>
<b>Expenditures</b>			
Instruction:			
Basic Instruction	516,095	-	516,095
Added Needs	212,437	-	212,437
Support Services:			
Pupil Support	82,534	-	82,534
Instructional Support	72,609	-	72,609
General Administration	46,900	-	46,900
School Administration	125,510	-	125,510
Business Services	42,085	-	42,085
Operations and Maintenance	116,260	-	116,260
Pupil Transportation	141,576	-	141,576
Central Support Services	64,231	-	64,231
Other Support Services	20,032	-	20,032
Community Services	937	-	937
Debt Service	51,796	-	51,796
Food Service	-	82,131	82,131
Total Expenditures	<u>1,493,002</u>	<u>82,131</u>	<u>1,575,133</u>
<b>Excess of Revenues (Expenditures)</b>	<u>66,812</u>	<u>(7,296)</u>	<u>59,516</u>
<b>Other Financing Sources (Uses)</b>			
Operating Transfers In	-	10,000	10,000
Operating Transfers Out	(10,000)	-	(10,000)
Total Other Financing Sources (Uses)	<u>(10,000)</u>	<u>10,000</u>	<u>-</u>
<b>Changes in Fund Balances</b>	56,812	2,704	59,516
<b>Fund Balances - Beginning of year</b>	<u>497,789</u>	<u>14,187</u>	<u>511,976</u>
<b>Fund Balances - End of year</b>	<u>\$ 554,601</u>	<u>\$ 16,891</u>	<u>\$ 571,492</u>



**Reconciliation of the Statement of Revenues, Expenditures,  
And Changes in Fund Balances of Governmental Funds  
To the Statement of Activities  
Year Ended June 30, 2017**

**Changes in Fund Balances – Total Governmental Funds** \$ 59,516

The change in net position reported for governmental activities in the statement of activities is different because:

Grant revenues available, but not recognized in the fund. 5,275

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets are allocated over their estimated useful lives as depreciation expense.

Capital Outlays	\$ 84,590	
Current Depreciation Expense	(28,493)	
Book Value of Equipment Disposals	<u>(47,414)</u>	8,683

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of notes and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which repayments exceeded proceeds. (30,145)

**Change in Net Position, Statement of Activities** \$ 43,329

**Statement of Fiduciary Net Position****Fiduciary Funds****June 30, 2017**

	Private Purpose Trust Fund	Agency Fund
<b>Assets</b>		
Cash and equivalents	\$ 8,260	\$ 10,911
<b>Liabilities</b>		
Due to student groups	\$ -	\$ 10,911
<b>Net position restricted for scholarships</b>	<u>\$ 8,260</u>	

**Statement of Changes in Fiduciary Position  
Private Purpose Trust Fund  
Year Ended June 30, 2017**

<b>Additions</b>	
Interest	<u>\$ 4</u>
<b>Deductions</b>	
Scholarships	<u>1,000</u>
Decrease in net position	(996)
Net position, beginning of year	<u>9,256</u>
<b>Net position, end of year</b>	<u><u>\$ 8,260</u></u>

## **Notes to Financial Statements**

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**Note 1 - Summary of Significant Accounting Policies**

Charter School – The Public School Academy was organized pursuant to MCL 380.1 ct seg. This Law allows for the School to be eligible for State Aid and must comply with Michigan School Code provisions. The School operates under a grant agreement expiring in 2025 with the Board of Regents – Bay Mills Community College. The school was created to provide a learning experience, which includes Ojibwe culture, values, and traditions. The School Board may terminate the operating contract by notification. The College Board of Regents may terminate the operating contract for various failures to comply with laws and regulations, insolvency, bankruptcy, insufficient enrollment, fraud, or if the school operates with a fund balance deficit of two or more fiscal years among other provisions.

The accounting policies of Ojibwe Charter School conform to U.S. generally accepted accounting principles as applicable to Schools. The following is a summary of the significant accounting policies:

**Reporting Entity**

The accompanying basic financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board (GASB) for determining the various governmental organizations to be included in the reporting entity. These criteria include oversight responsibility, scope of public service, and special financing relationships. Based on application of the criteria, the entity does not contain component units.

**Basic Financial Statements – Government-wide Statements**

The School's basic financial statements include both government-wide (reporting the School as a whole) and fund financial statements (reporting the School's major funds). The government-wide financial statements categorize primary activities as either governmental or business type. All of the School's activities are classified as governmental activities.

In the Government-wide Statement of Net Position, the governmental activities column (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The School's net position is reported in three parts - net investment in capital assets; restricted net position; and unrestricted net position.

The Government-wide Statement of Activities reports both the gross and net cost of each of the School's functions. The functions are also supported by general government revenues (grants, certain intergovernmental revenues, and charges, etc.) The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating grants and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (state sources and federal sources, interest income, etc.)

The School does not allocate indirect costs. In creating the government-wide financial statements, the School has eliminated interfund transactions.

The government-wide focus is on the sustainability of the School as an entity and the change in the School's net position resulting from the current year's activities.

**Note 1 - Summary of Significant Accounting Policies (Continued)****Basic Financial Statements – Fund Financial Statements**

The accounts of the School are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each 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 upon 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 financial statements in this report, into generic fund types and broad fund categories as follows.

**Governmental Funds** – Governmental Funds are those funds through which most School functions typically are financed. The acquisition, use, and balances of the School’s expendable financial resources and the related current liabilities are accounted for through governmental funds.

General Fund – The General Fund is used to record the general operations of the School pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved operating budget. The School reports its general fund as a major fund.

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The Food Service Fund is a Special Revenue Fund that is segregated for transactions of a particular activity from regular revenue and expenditure accounts. The School reports the food service fund as a major fund.

**Fiduciary Funds** – The Agency Fund accounts for monies held on behalf of student organizations or school affiliated groups that use the School as a custodian of funds. The Private Purpose Trust fund accounts for scholarship monies.

**Measurement Focus and Basis of Accounting**

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates the timing of the measurements made regardless of the measurement focus and the governmental-wide statement uses the economic resources measurement focus.

**Accrual**

Governmental activities and Fiduciary Funds in the financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

**Modified Accrual**

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that the principal and interest on general obligation long-term debt is recognized when due.

**Note 1 - Summary of Significant Accounting Policies (Continued)**

Those revenues susceptible to accrual are impact aid, state aid, interest revenue, grants and charges for services. Other revenue is recorded when received.

The School reports unearned revenue on its governmental fund balance sheet. Unearned revenues arise when a potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Unearned revenues also arise when resources are received by the School before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for unearned revenue is removed from the combined balance sheet and revenue is recognized.

The State of Michigan utilizes a foundation allowance approach, which provides for a 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. Revenues from state sources are 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 and accounting principles generally accepted in the United States of America.

The School also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain categorical funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year is recorded as unearned revenue. Other categorical funding is recognized when the appropriation is received. The School utilizes restricted funding and then unrestricted resources.

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

Cash and Investments – Investments are recorded at fair value, based on quoted market prices, or estimated fair value. The School considers all highly liquid investments maturing in 90 days or less as cash equivalents. Deposits are recorded at cost.

Inventories – Inventories, if present, are stated at cost, on a first-in, first-out basis, which approximates market value. Inventory recorded in the General Fund consists of centrally warehoused teaching and operating supplies for the School. The Food Service Fund inventory consists of food and paper goods. For all funds, expenditures are recorded at the time of use.

Capital Assets – Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated capital assets are valued at their estimated fair market value on the date received. Capital assets are defined as assets with an initial cost of \$1,000 or more and an estimated useful life in excess of two years.

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

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Site Improvements	5 – 20 years
Buildings and additions	20 – 50 years
Buses and other vehicles	5 – 10 years
Furniture and other equipment	5 – 20 years

**Note 1 - Summary of Significant Accounting Policies (Continued)**

Compensated Absences – The liability for compensated absences reported in the government-wide statements consist of unpaid, accumulated annual and vacation balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. There was no liability at year end.

Deferred Outflows of Resources

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

Deferred Inflows of Resources

In addition to liabilities, the statement of net position and governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The school has no items that qualify for reporting in this category.

Long-Term Obligations – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

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

Fund Balance Classification – The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the School is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The School has classified inventories and prepaid items as being Nonspendable as these items are not expected to be converted to cash within the next year.
- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.



**Note 1 - Summary of Significant Accounting Policies (Continued)**

- **Committed:** This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board. These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- **Assigned:** This classification includes amounts that are constrained by the School’s intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.
- **Unassigned:** This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The School would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

**Note 2 - Budgets**

The Public School Academy formally adopted General Fund and Special Revenue Fund budgets by function for the fiscal year ended June 30, 2017. Expenditures at this level in excess of amounts budgeted is a violation of Michigan law. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. During the current year, the budget was amended in a legally permissible manner. The budget has been prepared in accordance with U.S. generally accepted accounting principles.

A comparison of actual results of operations to the budgeted amounts (at the level of control adopted by the Board of Education) for the General Fund and Food Service Fund is presented as Required Supplementary Information.

**Note 3 - Cash and Equivalents**

**Deposits**

The School’s funds are deposited in two financial institutions. Deposits are carried at cost.

	<u>Primary</u>	<u>Fiduciary</u>
Per Financial Statements:		
Checking and Savings	\$ 569,420	\$ 19,171

**Investment and Deposit Risk**

*Interest rate risk.* State law limits the allowable investments and the maturities of some of the allowable investments as identified in the following list of authorized investments. The School’s investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Note 3 - Cash and Equivalents (Continued)**

*Credit risk.* The School's investment policy does not have specific limits in excess of state law on investment credit risk. The School has no investments for which ratings are required.

*Custodial credit risk.* Custodial credit risk is the risk that in the event of a bank failure, the School's deposits may not be returned. State law does not require and the School does not have a policy for deposit custodial credit risk. As of year end, \$354,694 of the School's bank balance of \$618,335 was exposed to credit risk because it was uninsured and uncollateralized.

*Custodial investment credit risk.* Investment custodial credit risk, is the risk that the in the event of the failure of the counterparty, the School will not be able to recover the value of its investments or securities that are in the possession of an outside party.

Statutory Authority:

Public Act 152, entitled "An act relative to the investment of funds of public corporations of the state; and to validate certain investments," by amending section 1 (MCL 129.91), as amended by 2009 PA 21.

Except as provided in section 5, the governing body by resolution may authorize its investment officer to invest the funds of that public corporation in one or more of the following:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, or depository receipts of a financial institution, but only if the financial institution complies with subsection (2); certificates of deposit obtained through a financial institution as provided in subsection (5); or deposit accounts of a financial institution as provided in subsection (6).
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures not more than 270 days after the date of purchase.
- d. Repurchase agreements consisting of instruments listed in subdivision (a).
- e. Bankers' acceptances of United States banks.
- f. Obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- g. Mutual funds registered under the investment company act of 1940, 15 USC 80a-1 to 80a-64, with authority to purchase only investment vehicles that are legal for direct investment by a public corporation. However, a mutual fund is not disqualified as a permissible investment solely by reason of any of the following:
  - (i) The purchase of securities on a when-issued or delayed delivery basis.
  - (ii) The ability to lend portfolio securities as long as the mutual fund receives collateral at all times equal to at least 100% of the value of the securities loaned.
  - (iii) The limited ability to borrow and pledge a like portion of the portfolio's assets for temporary or emergency purposes.
- h. Obligations described in subdivisions (a) through (g) if purchased through an interlocal agreement under the urban cooperation act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.

**Note 3 - Cash and Equivalents (Continued)**

- i. Investment pools organized under the surplus funds investment pool act, 1982 PA 367, MCL 129.111 to 129.118.
- j. The investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

The Schools deposits are in accordance with state statutes.

**Note 4 - Capital Assets**

A summary of changes in governmental capital assets follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Assets (Depreciated)				
Building & Site Improvements	\$ 8,956	\$ -	\$ -	\$ 8,956
Furniture and Equipment	<u>506,570</u>	<u>84,590</u>	<u>75,862</u>	<u>515,298</u>
Total Assets (Depreciated)	<u>515,526</u>	<u>84,590</u>	<u>75,862</u>	<u>524,254</u>
Accumulated Depreciation				
Building & Site Improvements	4,820	326	-	5,146
Furniture and Equipment	<u>384,788</u>	<u>28,167</u>	<u>28,448</u>	<u>384,507</u>
Total Accumulated Depreciation	<u>389,608</u>	<u>28,493</u>	<u>28,448</u>	<u>389,653</u>
Net Capital Assets Depreciated	<u>125,918</u>	<u>56,097</u>	<u>(47,414)</u>	<u>134,601</u>
Total Net Capital Assets	<u>\$ 125,918</u>	<u>\$ 56,097</u>	<u>\$ (47,414)</u>	<u>\$ 134,601</u>

Depreciation for the fiscal year ended June 30, 2017 amounted to \$28,493. The School determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

**Note 5 - Agreements**

The Charter school executed an employee leasing agreement in June 2012 with Michigan Educational Personnel Services to provide educational services and certain administrative services for the public school academy. The original term of the agreement begins on July 1, 2012 and ends on June 30, 2013. The agreement was renewed on July 1, 2013 and extends through June 30, 2017. The agreement requires compensation to MEPS services based on 4.75% of gross payroll costs which was approximately \$39,000. The School executed a new agreement through 2025 and requires compensation to MEPS services based on 4.75% of gross payroll costs, which includes a 25% discount for executing a 2017-25 multi-year contract.

Consortium

The Charter school has executed a consortium agreement with EUPISD for various business and maintenance services. Technology and other services paid to the EUPISD were approximately \$86,848.

**Note 6 - Interfund Receivable and Payables, and Transfers**

<b>TRANSFERS IN</b>		<b>TRANSFERS OUT</b>
	Food Service	<u>General</u> <u>\$ 10,000</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) moves receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**Note 7 - Risk Management**

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

**Note 8 - Commitments and Contingencies**

Grants

The Charter School has received significant assistance from state and federal agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and are subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the School. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the School at June 30, 2017.

**Note 9 - Due From Other Governmental Units**

Amounts due from other governmental units consist of \$170,028 in revenues due from state and federal sources. These revenues represent amounts used for the operation of special programs and grant projects, as well as for the final payment of 2017 state aid, which was not received until after year end due to the state aid payment schedule.

**Note 10 - Operating Lease**

The charter school executed an operating lease with the Bay Mills Indian Community for buildings, parking areas and grounds located in Brimley, Michigan. The lease expires annually on June 30th. It is anticipated that the lease will be renewed in future years. Rent remitted for fiscal 2017 was \$60,000 in accordance with the terms of the lease.

**Note 11 - School Funding**

The Ojibwe Charter School received approximately \$7,511 per student for basic State aid foundation for the 2016/2017 school year for the 110 blended count of enrolled students.

**Note 12 - Related Party Transactions**

The building is leased from the Bay Mills Indian Community. The Bay Mills Indian Community appoints a majority of members of the Board of Regents - Bay Mills Community College, which is the charter authorizer of the School and administers the School’s charter. These transactions included the following items during the period ended June 30, 2017:

Building Lease	<u>\$ 60,000</u>
Supplies, Maintenance and Other	<u>\$ 14,985</u>

**Note 13 - Long-Term Obligations**

The following is a listing of long-term obligations at June 30, 2017:

During August 2016, the School executed an installment purchase agreement in the amount of \$80,000 for the purchase of a 2017 school bus. The installment purchase agreement includes monthly payments of \$1,219 at 3.10% interest until September 2022 and is secured by the vehicle.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Note Payable	<u>\$ 40,643</u>	<u>\$ 80,000</u>	<u>\$ 49,855</u>	<u>\$ 70,788</u>	<u>\$ 12,613</u>

Debt service requirement for this obligation is as follows:

	<u>Principal</u>	<u>Interest</u>
2018	\$ 12,613	\$ 2,016
2019	13,009	1,619
2020	13,418	1,211
2021	13,840	789
2022	14,275	353
2023	<u>3,633</u>	<u>18</u>
Total	<u>\$ 70,788</u>	<u>\$ 6,006</u>

**Note 14 - Federal Single Audit**

Federal guidelines under the Single Audit Act of 1996, as amended, require a governmental unit to have a Single Audit performed if federal awards expended during the fiscal year are in excess of \$750,000. During fiscal year 2017, the School expended \$599,859 in federal awards and therefore is not required to have a Single Audit compliance report.

## **Required Supplementary Information**

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**Required Supplementary Information  
Budgetary Comparison Schedule - General Fund  
Year Ended June 30, 2017**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Over (Under)
	Original	Final		(Under)
<b>Revenues</b>				
Local Sources	\$ 6,700	\$ 6,000	\$ 6,570	\$ 570
State Sources	797,623	893,222	887,146	(6,076)
Federal Sources	528,560	538,117	532,027	(6,090)
Other	15,730	52,307	54,071	1,764
Other Financing Sources	-	80,000	80,000	-
Total Revenues	<u>1,348,613</u>	<u>1,569,646</u>	<u>1,559,814</u>	<u>(9,832)</u>
<b>Expenditures</b>				
Instruction:				
Basic Instruction	485,942	531,976	516,095	15,881
Added Needs	211,911	221,052	212,437	8,615
Support Services:				
Pupil Support	85,219	84,380	82,534	1,846
Instructional Support	91,295	82,141	72,609	9,532
General Administration	40,920	45,341	46,900	(1,559)
School Administration	128,665	128,984	125,510	3,474
Business Services	41,062	42,450	42,085	365
Operations and Maintenance	120,364	135,268	116,260	19,008
Pupil Transportation	59,998	146,241	141,576	4,665
Central Support Services	66,772	67,296	64,231	3,065
Other Support Services	19,365	20,771	20,032	739
Community Services	1,200	1,400	937	463
Debt Service	-	51,810	51,796	14
Other Financing Uses	28,800	10,000	10,000	-
Total Expenditures	<u>1,381,513</u>	<u>1,569,110</u>	<u>1,503,002</u>	<u>66,108</u>
<b>Excess of Revenues (Expenditures)</b>	<u>\$ (32,900)</u>	<u>\$ 536</u>	56,812	<u>\$ 56,276</u>
<b>Fund Balances - Beginning of year</b>			<u>497,789</u>	
<b>Fund Balances - End of year</b>			<u>\$ 554,601</u>	

**Required Supplementary Information  
Budgetary Comparison Schedule - Food Service Fund  
Year Ended June 30, 2017**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Over (Under)
	Original	Final		
<b>Revenues</b>				
Local Sources	\$ 3,075	\$ 4,700	\$ 6,071	\$ 1,371
State Sources	1,200	1,130	932	(198)
Federal Sources	55,500	64,000	67,832	3,832
Other Financing Sources	15,000	10,000	10,000	-
Total Revenues	<u>74,775</u>	<u>79,830</u>	<u>84,835</u>	<u>5,005</u>
<b>Expenditures</b>				
Food Service	77,818	82,894	82,131	763
Total Expenditures	<u>77,818</u>	<u>82,894</u>	<u>82,131</u>	<u>763</u>
<b>Excess of Revenues (Expenditures)</b>	<u>\$ (3,043)</u>	<u>\$ (3,064)</u>	2,704	<u>\$ 5,768</u>
<b>Fund Balances - Beginning of year</b>			<u>14,187</u>	
<b>Fund Balances - End of year</b>			<u>\$ 16,891</u>	



# **Report on Compliance**

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**ANDERSON, TACKMAN & COMPANY, PLC**  
CERTIFIED PUBLIC ACCOUNTANTS

**KINROSS OFFICE**

SUE A. BOWLBY, CPA, PRINCIPAL  
KENNETH A. TALSMA, CPA, PRINCIPAL  
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**MEMBER AICPA  
DIVISION FOR CPA FIRMS**

**MEMBER MACPA**

**OFFICES IN  
MICHIGAN & WISCONSIN**

**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***

Members of the Board of Education  
Ojibwe Charter School  
Brimley, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Ojibwe Charter School's basic financial statements and have issued our report thereon dated August 30, 2017.

**Internal Control over Financial Reporting**

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

Members of the Board of Education  
Ojibwe Charter School

### **Compliance and Other Matters**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result 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.



**Anderson, Tackman & Company, PLC**  
**Certified Public Accountants**  
**Kincheloe, Michigan**

August 30, 2017



**ANDERSON, TACKMAN & COMPANY, PLC**  
CERTIFIED PUBLIC ACCOUNTANTS

**KINROSS OFFICE**

SUE A. BOWLBY, CPA, PRINCIPAL  
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**MEMBER AICPA  
DIVISION FOR CPA FIRMS**

**MEMBER MACPA**

**OFFICES IN  
MICHIGAN & WISCONSIN**

**COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE**

Members of the Board of Education  
Ojibwe Charter School  
Brimley, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Ojibwe Charter School for the year ended June 30, 2017, and have issued our report thereon dated August 30, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and, if applicable, *Government Auditing Standards* as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

**Our Responsibility under U.S. Generally Accepted Auditing Standards and *Government Auditing Standards***

As stated in our engagement letter dated June 30, 2017, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we will consider the internal control of the Ojibwe Charter School. Such considerations are solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatements, we will also perform tests of Ojibwe Charter School's compliance with certain provisions of laws, regulations, contracts, and grants. However, providing an opinion on compliance with those provisions is not an objective of our audit.

Generally accepted accounting principles provide for certain required supplementary information (RSI) to supplement the basic financial statements. Our responsibility with respect to the management's discussion and analysis and budgetary comparison schedules, which supplement the basic financial statements, is to apply certain limited procedures in accordance with generally accepted auditing standards. However, the RSI will not be audited and, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance, we will not express an opinion or provide any assurance on the RSI.

### **Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to you in our correspondence about planning matters on August 15, 2017.

### **Significant Audit Findings**

#### ***Qualitative Aspects of Accounting Practices***

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Ojibwe Charter School are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

- Management's estimate of the depreciation expense is based on estimated lives. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent and clear.

#### ***Difficulties Encountered in Performing the Audit***

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

#### ***Corrected and Uncorrected Misstatements***

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

#### ***Disagreement with Management***

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

### ***Management Representations***

We have requested certain representations from management that are included in the management representation letter dated August 30, 2017.

### ***Management Consultations with Other Independent Accountants***

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### ***Other Audit Findings or Issues***

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### ***Comments and Recommendations***

#### **Reports on Controls (Prior Year)**

As the School continues to expand its use of the Third-Party Service Providers, for accounting, technology etc., assurance should be requested that systems are adequate and effective related to computer processing. A "Report on Controls Placed in Operation" and tests of effectiveness should be requested to assure proper backups are maintained, disaster recovery procedures are in place and other controls are reliable from any third-party system vendors.

Status: No change.

#### **Student Activity Accounts**

The School maintains several agency accounts related to class or group funds. To reduce the accounting for non-active or graduated class funds, the representatives should be contacted to disburse these funds or request a school contribution to eliminate the accounts.

#### **Procurement/Purchasing Policy**

The purchasing policy has not been reviewed or updated since 2012. Uniform Guidance Section 200.319(c) and Section 200.320(d)(3) enacted several changes which may affect the School's procurement procedures. The purchasing policy should be reviewed and updated to ensure compliance with these federal regulations.

### **Other Matters**

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

### **Conclusion**

We would like to express our appreciation, as well as that of our staff, for the excellent cooperation we received while performing the audit. If we can be of assistance in implementing the above recommendations, please contact us.

This report is intended solely for the information and use of the Board of Education, management, federal awarding agencies, pass-through entities and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.



**Anderson, Tackman & Company, PLC**  
**Certified Public Accountants**  
**Kincheloe, Michigan**

August 30, 2017