

**OJIBWE CHARTER SCHOOL**  
**Chippewa County, Michigan**

Annual Financial Report

For the year ended June 30, 2019

**OJIBWE CHARTER SCHOOL**  
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For the year ended June 30, 2019

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## **FINANCIAL SECTION**



## INDEPENDENT AUDITOR'S REPORT

September 20, 2019

The Board of Directors  
Ojibwe Charter School  
Chippewa County, Michigan

### Report on the Financial Statements

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

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund information of Ojibwe Charter School as of June 30, 2019, and the respective changes in financial position and the respective budgetary comparison for the General Fund 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, 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 assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Ojibwe Charter School's basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2019 on our consideration of 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 Ojibwe Charter School's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Hungerford Nichols".

Certified Public Accountants  
Grand Rapids, Michigan

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**OJIBWE CHARTER SCHOOL**  
**Management's Discussion and Analysis**  
**June 30, 2019**

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As management of the Ojibwe Charter School (the "Academy"), we offer readers of the Academy's financial statements this narrative overview and analysis of the financial activities of the Academy for the fiscal year ended June 30, 2019. We encourage readers to consider the information presented here in conjunction with the Academy's financial statements, which immediately follow this section.

**Overview of the Financial Statements**

This annual report consists of three parts: Management's Discussion and Analysis (this section), the Basic Financial Statements, and Supplementary Information. The Basic Financial Statements include two kinds of statements that present different views of the Academy:

- The first two statements, the Statement of Net Position and the Statement of Activities, are *Academy-wide financial statements* that provide both short-term and long-term information about the Academy's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the Academy, reporting the Academy's operations in more detail than the Academy-wide statements.
  - ♦ *Governmental fund statements* tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending.
  - ♦ *Fiduciary fund statements* provide information about the financial relationships in which the Academy acts solely as a trustee or agent for the benefit of others.

The Basic Financial Statements also include Notes to Financial Statements that explain the information in the Basic Financial Statements and provide more detailed data; Supplementary Information follows and includes combining and individual fund statements and schedules.

**Academy-wide Statements**

The Academy-wide financial statements report information about the Academy as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the Academy's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

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

- Over time, increases or decreases in the Academy's net position is an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the Academy's overall health, one should consider additional non-financial factors such as changes in the Academy's economic factors that might influence state aid revenue, and the condition of school buildings and other facilities.

**OJIBWE CHARTER SCHOOL**  
**Management's Discussion and Analysis**  
**June 30, 2019**

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In the academy-wide financial statements, the Academy's activities are presented as follows:

- *Governmental activities:* The Academy's basic services are included here, such as regular and special education, instructional support, transportation, administration, community services, food service and athletics. State aid and federal operating grants finance most of these activities.

**Condensed Academy-wide Financial Information**

The Statement of Net Position provides financial information on the Academy as a whole.

	<b>2019</b>	<b>2018</b>
<b>Assets</b>		
Current assets	\$ 1,049,051	\$ 911,058
Net capital assets	191,263	124,014
<b>Total Assets</b>	1,240,314	1,035,072
<b>Liabilities</b>		
Current liabilities	307,336	247,600
Long-term liabilities	31,748	45,166
<b>Total Liabilities</b>	339,084	292,766
<b>Net Position</b>		
Net investment in capital assets	146,097	65,839
Restricted for food service	12,118	8,695
Unrestricted	743,015	667,772
<b>Total Net Position</b>	\$ 901,230	\$ 742,306

**OJIBWE CHARTER SCHOOL**  
**Management's Discussion and Analysis**  
**June 30, 2019**

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The Statement of Activities presents changes in net position from operating results:

	<b>2019</b>	<b>2018</b>
<b>Program Revenues</b>		
Charges for services	\$ 855	\$ 911
Operating grants	1,076,653	789,041
<b>General Revenues</b>		
State school aid, unrestricted	761,575	793,307
Other	18,802	19,224
<b>Total Revenues</b>	1,857,885	1,602,483
<b>Expenses</b>		
Instruction	827,248	753,102
Supporting services	750,391	688,014
Food service	92,311	88,855
Community services	180	1,053
Interest on long-term debt	1,620	2,016
Depreciation - unallocated	27,211	27,809
<b>Total Expenses</b>	1,698,961	1,560,849
Increase in net assets	158,924	41,634
<b>Net Position, Beginning of Year</b>	742,306	700,672
<b>Net Position, End of Year</b>	\$ 901,230	\$ 742,306

**Financial Analysis of the Academy as a Whole**

Total revenues exceeded expenses by \$158,924 on the Statement of Activities, increasing total net position from \$742,306 at June 30, 2018 to \$901,230 at June 30, 2019. Unrestricted net assets increased by \$75,243 at June 30, 2018 to \$743,015 at June 30, 2019.

The Academy's total revenues were \$1.8 million. Unrestricted State aid and federal operating grants accounted for most of the Academy's revenues, contributing 99 percent of the total. The remainder came from fees charged for services, interest earnings and other local sources.

The total cost of all programs was \$1.7 million. The Academy's expenses are predominantly related to instructing and caring for students, accounting for 55% of the total. Administrative and business services accounted for 12 percent of total costs and The Academy's operation and maintenance services accounted for 9 percent of total costs.

**OJIBWE CHARTER SCHOOL**  
**Management's Discussion and Analysis**  
**June 30, 2019**

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The current position of the Academy's finances can be credited to careful monitoring of economic changes and appropriate cost-cutting measures to maintain programs during these challenging economic times. Despite the ongoing uncertainty of funding revenue from the State of Michigan, the Academy has endeavored to maintain a positive fund balance.

- The Academy has conducted a thorough budget analysis and has broken the budget down into specific components and their related expenses. This has allowed the Academy to prioritize expenses, and also to identify where cuts could occur if necessary.
- Regular updates were provided to the Board of Education during the school year. This information is also presented to the community via the Academy's website, staff meetings and presentations.
- Collaboration with the Eastern Upper Peninsula Intermediate School District has helped reduced expenditures in many areas.

**Fund Financial Statements**

The fund financial statements provide more detailed information about the Academy's funds, focusing on its most significant or "major" funds - not the Academy as a whole. Funds are accounting devices the Academy uses to keep track of specific sources of funding and spending on particular programs. As a general rule, fund balances from one fund are prohibited from being expended on expenditures of another fund.

The Academy utilizes two kinds of funds:

- *Governmental funds*: Most of the Academy's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the Academy's programs. Because this information does not encompass the additional long-term focus of the Academy-wide statements, additional information following the governmental funds' statements explain the relationship (or differences) between them.
- *Fiduciary funds*: The Academy is the trustee, or fiduciary, for assets that belong to others, such as the Student Activities Fund. The Academy is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The Academy excludes these activities from the Academy-wide financial statements because it cannot use these assets to finance its operations.

**OJIBWE CHARTER SCHOOL**  
**Management's Discussion and Analysis**  
**June 30, 2019**

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**Financial Analysis of the Academy's Funds**

The Academy uses funds to record and analyze financial information. Ojibwe Charter School' funds are described as follows:

**Major Fund**

- The General Fund is the Academy's primary operating fund. The General Fund had total revenues of \$1,779,330, total expenditures of \$1,679,087, and total other financing uses of \$25,000. The General Fund ended the fiscal year with a fund balance of \$743,015 at June 30, 2019, up from \$667,772 at June 30, 2018.

**Nonmajor Funds**

- The Food Service Fund, which administers the hot lunch program of the Academy, had total revenue of \$78,555, total other financing sources of \$25,000, and total expenditures of \$100,132, increasing its fund balance to \$12,118 at June 30, 2019, up from \$8,695 at June 30, 2018.

**Fiduciary Fund**

- The Scholarship Fund is operated as a Private Purpose Trust Fund of the Academy. The net assets of this fund are being held for the benefit of Academy students. Balance on hand at June 30, 2019 totaled \$5,862.
- The Student Activities Fund is operated as an Agency Fund of the Academy. The assets of this fund are being held for the benefit of Academy students. Balances on hand at June 30, 2019 totaled \$10,655.

**General Fund Budgetary Highlights**

During the course of the year, the Academy continuously reviews and amends the annual operating budget.

- Final amendments are made in May for increases in appropriations to prevent budget overruns and reductions in expenses put into place by the administration.
- The final budget for the General Fund anticipated the fund balance to be 30 percent of General Fund expenditures and transfers - the actual results equaled 44 percent.

**OJIBWE CHARTER SCHOOL**  
**Management's Discussion and Analysis**  
**June 30, 2019**

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**Capital Asset and Debt Administration**

**Capital Assets**

By the end of 2019, the Academy had a \$635,935 investment in a broad range of capital assets, including school buildings, athletic facilities, vehicles, computer equipment and software, and administrative offices. (More detailed information about capital assets can be found in Note E in the Notes to Basic Financial Statements.)

At June 30, 2019, the Academy's investment in capital assets (net of accumulated depreciation), was \$191,263. Capital asset additions totaled \$94,460 for the fiscal year with accumulated depreciation increasing by \$27,211, leaving a net increase in the book value of capital assets of \$67,249.

The Academy's net investment in capital assets, including land, land improvements, buildings and additions, vehicles and furniture and equipment, is detailed as follows:

Buildings and land improvements	\$ 3,158
Furniture and equipment	50,423
Vehicles	<u>137,682</u>
<b>Net Capital Assets</b>	<u><u>\$ 191,263</u></u>

**Long-term Debt**

At year-end, the District had \$45,166 in Installment Purchase Agreements – a net decrease of \$13,009 from June 30, 2018.

We present more detailed information about our long-term liabilities in Note G in the Notes to Basic Financial Statements.

**OJIBWE CHARTER SCHOOL**  
**Management's Discussion and Analysis**  
**June 30, 2019**

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**General Information**

At the time these financial statements were prepared and audited, the Academy was aware of the following circumstances that could significantly affect its financial health in the future:

The Preliminary Budget for the 2019/2020 Fiscal Year was adopted by the Board of Education in May 2019 using management's best estimates based on perceived interest from the community. Some key factors and estimates used in the 2019/2020 budget preparation process include:

- The State of Michigan aid foundation had been estimated to be flat.
- Enrollment projections of 98 students.
- Current teaching staff provides one teacher for every 8 students.
- Benefit costs would be based on group coverage rates through CS Partners.

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 Academy's Financial Management**

This financial report is designed to provide the Academy's citizens, taxpayers, customers, and investors and creditors with a general overview of the Academy's finances and to demonstrate the Academy's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Ojibwe Charter School, 11507 West Industrial Drive, Brimley, Michigan.



## **BASIC FINANCIAL STATEMENTS**

**OJIBWE CHARTER SCHOOL**  
**Statement of Net Position**  
**June 30, 2019**

	Governmental Activities
<b>Assets</b>	
Cash equivalents (Note B)	\$ 849,723
Accounts receivable	381
Due from other governmental units	184,456
Inventory	491
Prepaid expenditures	14,000
Capital assets being depreciated, net (Note E)	191,263
	<b>Total Assets</b>
	1,240,314
<b>Liabilities</b>	
Accounts payable	19,510
Due to other governmental units	63,101
Accrued liabilities	85,173
Unearned revenues	126,134
Long-term liabilities (Note G)	
Due within one year	13,418
Due in more than one year	31,748
	<b>Total Liabilities</b>
	339,084
<b>Net Position</b>	
Net investment in capital assets	146,097
Restricted for food service	12,118
Unrestricted	743,015
	<b>Total Net Position</b>
	\$ 901,230

See accompanying notes to basic financial statements.

**OJIBWE CHARTER SCHOOL**  
**Statement of Activities**  
**For the year ended June 30, 2019**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes In Net Position
		Charges for Services	Operating Grants	
<b>Governmental Activities</b>				
Instruction	\$ 827,248	\$ -	\$ 999,415	\$ 172,167
Supporting services	750,391	-	-	(750,391)
Food Service	92,311	855	77,238	(14,218)
Community Services	180	-	-	(180)
Interest on long-term debt	1,620	-	-	(1,620)
Depreciation - unallocated	27,211	-	-	(27,211)
<b>Total Governmental Activities</b>	<b>\$ 1,698,961</b>	<b>\$ 855</b>	<b>\$ 1,076,653</b>	<b>(621,453)</b>
<b>General Revenues</b>				
				761,575
				7,365
				11,437
				<b>780,377</b>
				<b>158,924</b>
				<b>742,306</b>
				<b>\$ 901,230</b>

See accompanying notes to basic financial statements.

**OJIBWE CHARTER SCHOOL**  
**Balance Sheet**  
**Governmental Fund**  
**June 30, 2019**

<b>Assets</b>	<u>General</u>	<u>Nonmajor</u>	<u>Total</u>
Cash equivalents (Note B)	\$ 838,747	\$ 10,976	\$ 849,723
Accounts receivable	-	381	381
Due from other governmental units	184,186	270	184,456
Inventory	-	491	491
Prepaid expenditures	14,000	-	14,000
<b>Total Assets</b>	<u><u>\$ 1,036,933</u></u>	<u><u>\$ 12,118</u></u>	<u><u>\$ 1,049,051</u></u>
 <b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ 19,510	\$ -	\$ 19,510
Due to other governmental units	63,101	-	63,101
Accrued expenditures	16,510	-	16,510
Salaries payable	68,663	-	68,663
Unearned revenue	126,134	-	126,134
<b>Total Liabilities</b>	<u>293,918</u>	<u>-</u>	<u>293,918</u>
<b>Fund Balances (Note A)</b>			
Nonspendable	14,000	491	14,491
Restricted	-	11,627	11,627
Unassigned	729,015	-	729,015
<b>Total Fund Balances</b>	<u>743,015</u>	<u>12,118</u>	<u>755,133</u>
<b>Total Liabilities and Fund Balances</b>	<u><u>\$ 1,036,933</u></u>	<u><u>\$ 12,118</u></u>	<u><u>\$ 1,049,051</u></u>

See accompanying notes to basic financial statements.

**OJIBWE CHARTER SCHOOL**  
**Reconciliation of Total Governmental Fund Balances to**  
**Net Position of Governmental Activities**  
**June 30, 2019**

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<b>Total governmental fund balances</b>	\$ 755,133
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 therefore are not reported as assets in governmental funds. The cost of assets is \$635,935 and accumulated depreciation is \$444,672.	191,263
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:	
Installment purchase agreement	<u>(45,166)</u>
<b>Total net position - governmental activities</b>	<u>\$ 901,230</u>

See accompanying notes to basic financial statements.

**OJIBWE CHARTER SCHOOL**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balances**  
**Governmental Fund**  
**For the year ended June 30, 2019**

	General	Nonmajor	Total
<b>Revenues</b>			
Local sources	\$ 18,340	\$ 1,317	\$ 19,657
State sources	873,401	1,781	875,182
Federal sources	844,891	75,457	920,348
Interdistrict sources	42,698	-	42,698
<b>Total Revenues</b>	<u>1,779,330</u>	<u>78,555</u>	<u>1,857,885</u>
<b>Expenditures</b>			
Current:			
Instruction	827,248	-	827,248
Supporting services	837,030	-	837,030
Food service	-	100,132	100,132
Community services	180	-	180
Debt service:			
Principal repayment	13,009	-	13,009
Interest and fiscal charges	1,620	-	1,620
<b>Total Expenditures</b>	<u>1,679,087</u>	<u>100,132</u>	<u>1,779,219</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>100,243</u>	<u>(21,577)</u>	<u>78,666</u>
<b>Other Financing Sources (Uses)</b>			
Transfers out	(25,000)	-	(25,000)
Transfers in	-	25,000	25,000
<b>Total Other Financing Sources (Uses)</b>	<u>(25,000)</u>	<u>25,000</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	75,243	3,423	78,666
<b>Fund Balances, Beginning of Year</b>	<u>667,772</u>	<u>8,695</u>	<u>676,467</u>
<b>Fund Balances, End of Year</b>	<u>\$ 743,015</u>	<u>\$ 12,118</u>	<u>\$ 755,133</u>

See accompanying notes to basic financial statements.

**OJIBWE CHARTER SCHOOL**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the year ended June 30, 2019**

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**Net change in fund balances - total governmental fund** \$ 78,666

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

Governmental funds report capital outlays as expenditures. However,  
in the Statement of Activities, the cost of these assets is capitalized  
and allocated over their estimated useful lives as depreciation  
expense. This is the amount by which capital outlays exceeded  
depreciation in the current period:

	\$	94,460	
Capital outlays			
Depreciation expense		(27,211)	67,249

Repayment of principal on long-term debt is an expenditure in the governmental  
funds, but it reduces long-term liabilities in the Statement of Net Position  
and does not affect the Statement of Activities:

Repayment of installment purchase agreements	13,009
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<b>Total changes in net position - governmental activities</b>	<b>\$ 158,924</b>
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**OJIBWE CHARTER SCHOOL**  
**General Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the year ended June 30, 2019**

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
<b>Revenues</b>				
Local sources	\$ 6,300	\$ 15,620	\$ 18,340	\$ 2,720
State sources	917,624	878,209	873,401	(4,808)
Federal sources	669,175	804,920	844,891	39,971
Interdistrict sources	28,234	32,882	42,698	9,816
<b>Total Revenues</b>	<b>1,621,333</b>	<b>1,731,631</b>	<b>1,779,330</b>	<b>47,699</b>
<b>Expenditures</b>				
Current:				
Instruction:				
Basic programs	668,847	621,086	550,132	70,954
Added needs	248,582	290,686	277,116	13,570
Supporting services:				
Pupil services	162,303	99,455	103,229	(3,774)
Instructional staff services	29,580	82,453	66,340	16,113
General administrative services	52,850	49,650	47,694	1,956
School administrative services	144,386	153,531	150,091	3,440
Business services	43,950	44,985	43,562	1,423
Operation and maintenance services	126,975	165,965	146,485	19,480
Pupil transportation services	88,337	189,615	174,592	15,023
Central services	77,900	85,699	84,227	1,472
Other support services	22,185	23,600	20,810	2,790
Community services:				
Community activities	1,600	1,600	180	1,420
Debt Service:				
Principal repayment	31,553	12,620	13,009	(389)
Interest and fiscal charges	-	2,100	1,620	480
<b>Total Expenditures</b>	<b>1,699,048</b>	<b>1,823,045</b>	<b>1,679,087</b>	<b>143,958</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(77,715)</b>	<b>(91,414)</b>	<b>100,243</b>	<b>(191,657)</b>
<b>Other Financing Uses</b>				
Other Transactions	-	(3,531)	-	3,531
Transfers out	-	(30,000)	(25,000)	5,000
<b>Total Other Financing Uses</b>	<b>-</b>	<b>(33,531)</b>	<b>(25,000)</b>	<b>8,531</b>
<b>Net Change in Fund Balances</b>	<b>(77,715)</b>	<b>(124,945)</b>	<b>75,243</b>	<b>(200,188)</b>
<b>Fund Balances, Beginning of Year</b>	<b>667,772</b>	<b>667,772</b>	<b>667,772</b>	<b>-</b>
<b>Fund Balances, End of Year</b>	<b>\$ 590,057</b>	<b>\$ 542,827</b>	<b>\$ 743,015</b>	<b>\$ (200,188)</b>

See accompanying notes to basic financial statements.



**OJIBWE CHARTER SCHOOL**  
**Fiduciary Funds - Net Position**  
**Statement of Fiduciary Assets and Liabilities**  
**June 30, 2019**

	Private Purpose Trust Funds	Agency Fund
<b>Assets</b>		
Cash equivalents, deposits and investments (Note B)	\$ 5,862	\$ 10,636
Accounts receivable	-	19
<b>Total Assets</b>	5,862	\$ 10,655
<b>Liabilities</b>		
Due to student groups	-	\$ 10,655
<b>Net Position</b>		
Held in trust for: Individuals and organizations	\$ 5,862	

See accompanying notes to basic financial statements.

**OJIBWE CHARTER SCHOOL**  
**Fiduciary Fund**  
**Statement of Changes in Fiduciary Net Position**  
**June 30, 2019**

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	<u>Private Purpose Trust Funds</u>
<b>Additions</b>	
Interest earnings	\$ 68
<b>Deductions</b>	
Endowment activities - scholarships	<u>1,000</u>
<b>Change In Net Position</b>	(932)
<b>Net Position, Beginning of Year</b>	<u>6,794</u>
<b>Net Position, End of Year</b>	<u><u>\$ 5,862</u></u>

See accompanying notes to basic financial statements.

## **NOTES TO BASIC FINANCIAL STATEMENTS**

**OJIBWE CHARTER SCHOOL**  
**Notes to Basic Financial Statements**  
**June 30, 2019**

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## **Note A – Summary of Significant Accounting Policies**

Ojibwe Charter School (the “Academy”) was organized under the School Code of the State of Michigan, and services a population of approximately 98 students. Charter School – The Public School Academy was organized pursuant to MCL 380.1 ct seg. This Law allows for Ojibwe Charter School to be eligible for State Aid and must comply with Michigan School Code provisions. The Academy operates under a grant agreement expiring in 2025 with the Board of Regents – Bay Mills Community College. The Academy 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 financial statements of the Academy have been prepared in conformity with accounting principles generally accepted in the United States of America as applicable to school Academies. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The Academy’s significant accounting policies are described below.

### **1. Reporting Entity**

The financial reporting entity consists of a primary government and its component units. The Academy is a primary government because it is a special-purpose government that has a separately appointed governing body, is legally separate and is fiscally independent of other state or local governments. Furthermore, there are no component units combined with the Academy for financial statement presentation purposes, and the Academy is not included in any other governmental reporting entity. Consequently, the Academy’s financial statements include the funds of those organizational entities for which its elected governing board is financially accountable.

### **2. Academy-wide and Fund Financial Statements**

**Academy-wide Financial Statements** - The academy-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) present financial information about the Academy as a whole. The reported information includes all of the nonfiduciary activities of the Academy. The Academy does not allocate indirect costs and, for the most part, the effect of interfund activity has been removed. These statements are to distinguish between the *governmental* and *business-type activities* of the Academy. *Governmental activities* normally are supported by taxes and intergovernmental revenues, and are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The Academy does not have any *business-type activities*.

The Statement of Net Position is reported on the full accrual, economic resource basis, which recognizes all long-term assets as well as all long-term debt and obligations. The Academy’s net position is reported in three parts: net investment in capital assets, restricted net assets, and unrestricted net assets.

**OJIBWE CHARTER SCHOOL**  
**Notes to Basic Financial Statements**  
**June 30, 2019**

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The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Unrestricted state aid, interest earnings and other items not included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the academy-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The General Fund is the Academy's only major fund.

**Fund Financial Statements** – Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Fund level statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances. The Balance Sheet reports current assets, current liabilities and fund balances. The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources and uses of current financial resources. This differs from the economic resources measurement focus used to report at the academy-wide level. Reconciliations between the two sets of statements are provided in separate schedules.

Revenues are recognized when susceptible to accrual; i.e., both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Academy considers revenues to be available if they are collected within 60 days after the end of the current fiscal period. Expenditures are generally recorded when the liability is incurred, if they are paid within 60 days after the end of the current fiscal period. The exception to this general rule is that principal and interest on long-term debt is recognized when due.

Revenues susceptible to accrual are state aid, federal and interdistrict revenues and investment income. Other revenues are recognized when received. Unearned revenue arises when potential revenue does not meet both the measurable and available criteria for recognition in the current period. Unearned revenue also arises when resources are received by the Academy before it has a legal claim to them, as when grant monies are received prior to the incurrence of the qualifying expenditures.

### **3. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

Academy-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as is the fiduciary fund financial statement. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met.

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 revenues in accordance with State law and accounting principles generally accepted in the United States of America.

**OJIBWE CHARTER SCHOOL**  
**Notes to Basic Financial Statements**  
**June 30, 2019**

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**Governmental Funds**

Governmental funds are those funds through which most school academy functions typically are financed. The acquisition, use and balances of a school academy's expendable financial resources and the related current liabilities are accounted for through governmental funds.

Major Fund:

The *General Fund* is the general operating fund of the Academy. It is used to account for all financial resources, except those required to be accounted for in another fund. Included are all transactions related to the current operating budget.

Nonmajor Funds:

*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.

**Fiduciary Funds**

Fiduciary Funds are used to account for assets held by an academy in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds.

*Trust Funds*—Trust Fund net position and results of operations are not included in the academy-wide financial statements. Trust funds are reported using the economic resources measurement focus. The Academy presently maintains a private purpose scholarship fund for the benefit of students.

*Agency Funds*—Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Academy presently maintains a Student Activities Fund to record the transactions of student groups for school and school related purposes. The funds are segregated and held in trust for the students.

When both restricted and unrestricted resources are available for use, it is the Academy's policy to use restricted resources first, then unrestricted as they are needed.

**4. Budgets and Budgetary Accounting**

State of Michigan Public Act 621 (the Uniform Budgetary and Accounting Act) requires that the General Fund of an academy be under budgetary control and that both budgeted and actual financial results do not incur a deficit. An academy's General Appropriations Resolution (the "budget") must be adopted before the beginning of each fiscal year. No violations (dollar deviations) from an academy's budget may occur without a corresponding amendment to the budget. An academy has the ability to amend the budget provided that the amendment is prior to the occurrence of the deviation and prior to the fiscal year-end. An academy may also permit the chief administrative or fiscal officer to execute transfers between line items, within defined dollar or percentage limits, without prior approval of the Board of Directors. Expenditures may not legally exceed budgeted appropriations at the function level. All appropriations lapse at the end of the fiscal year.

**OJIBWE CHARTER SCHOOL**  
**Notes to Basic Financial Statements**  
**June 30, 2019**

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Ojibwe Charter School utilizes the following procedures in establishing the budgetary data reflected in the financial statements:

- In the spring, administrative personnel propose operating budgets for the ensuing fiscal year.
- In June, a preliminary operating budget is submitted to the Board of Directors. This budget includes proposed expenditures and the means of financing them.
- After the budget is finalized, the Board of Directors adopts an appropriations resolution setting forth the amount of the proposed expenditures and the sources of revenue to finance them.
- The original General Fund budget was amended during the year in compliance with State of Michigan Public Act 621 (the Uniform Budgetary and Accounting Act).
- The budget for the General Fund was adopted on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America.

**5. Encumbrances**

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budget integration in the governmental funds. There were no substantial encumbrances outstanding at year end.

**6. Investments**

Investments are recorded at fair value. Investment income is composed of interest and net changes in the fair value of applicable investments.

**7. Capital Assets**

Capital assets, which include land, land improvements, buildings and building improvements, vehicles and furniture and equipment, are reported in the academy-wide financial statements. Assets having a useful life in excess of one year and whose costs exceed \$1,000 are capitalized. Capital assets are stated at historical cost or estimated historical cost where actual cost information is not available. Donated capital assets are stated at fair value at the date of donation.

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

Furniture and equipment are depreciated using the straight-line method over the following estimated useful lives:

Buildings and land improvements	20-50 years
Furniture and equipment	5-10 years
Vehicles	5-20 years

**OJIBWE CHARTER SCHOOL**  
**Notes to Basic Financial Statements**  
**June 30, 2019**

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## **8. Net Position**

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition or construction of those assets. Net position is reported as restricted when there are limitations imposed on their use either through legislation or through external restrictions imposed by creditors, grantors, laws or regulations from other governments.

## **9. Fund Balance**

The Academy had adopted Governmental Accounting Standards Board (GASB) Statement No. 54 “*Fund Balance Reporting and Governmental Fund Type Definitions*”. The stated objective of GASB Statement No. 54 is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds, detailed as follows:

- Nonspendable – resources that cannot be spent because they are either (a) not in spendable form (inventories and prepaid amounts) or (b) legally or contractually required to be maintained intact (the principal of a permanent fund).
- Restricted – resources that cannot be spent because of (a) constraints externally imposed by creditors (debt covenants), grantors, contributors, or laws or regulations or (b) imposed by law through constitutional provisions or enabling legislation and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation.
- Committed – resources that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority (Board of Directors). Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified uses by taking the same type of action it employed to previously commit those amounts.
- Assigned – resources that are constrained by the government’s intent to be used for specific purposes, but are neither restricted nor committed. Intent should be expressed by (a) the governing body itself or (b) a body or official to which the governing body has designated the authority to assign amounts to be used for specific purposes.
- Unassigned – unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount.

As of June 30, 2019, Ojibwe Charter School had not established a policy for its use of unrestricted fund balance amounts; it considers that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.



**OJIBWE CHARTER SCHOOL**  
**Notes to Basic Financial Statements**  
**June 30, 2019**

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**10. Estimates**

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

**Note B – Cash Equivalents and Investments**

The State of Michigan allows a political subdivision to authorize its Treasurer or other chief fiscal officer to invest surplus funds belonging to and under the control of the entity as follows:

- Bonds, securities, and other obligations of the United States, or an agency or instrumentality of the United States.
- Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution is a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and that maintains a principal office or branch office located in this State under the laws of this State or the United States.
- Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of the purchase.
- United States or federal agency obligation repurchase agreements.
- Banker’s acceptances of United States Banks.
- Mutual funds composed entirely of investment vehicles which are legal for direct investment by a school academy in Michigan.
- Surplus funds investment pools.

**Cash Equivalents**

Balances at June 30, 2019 related to cash equivalents are detailed in the Basic Financial Statements as follows:

Statement of Net Position:	
Governmental activities	\$ 849,723
Fiduciary Fund:	
Agency Fund	10,636
Private Purpose Trust Funds	<u>5,862</u>
	<u>\$ 866,221</u>

**OJIBWE CHARTER SCHOOL**  
**Notes to Basic Financial Statements**  
**June 30, 2019**

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Depositories actively used by the Academy during the year are detailed as follows:

1. mBank
2. Soo Coop Credit Union

Cash equivalents consist of bank public funds checking and savings accounts.

June 30, 2019 balances are detailed as follows:

Cash equivalents	<u>\$ 866,221</u>
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*Custodial Credit Risk Related to Cash Equivalents*

Custodial credit risk is the risk that in the event of bank failure, the Academy's deposits may not be returned to the Academy. Protection of Academy cash equivalents is provided by the National Credit Union Administration and the Federal Deposit Insurance Corporation. At year end, both the carrying amount of the Academy's cash equivalents and the bank balance were \$866,221. Of the bank balance, \$500,000 was covered by federal depository insurance, and \$366,221 was uninsured.

**Investments**

As of June 30, 2019, the Academy had no surplus funds that were classified as investments. The Academy's policies to minimize investment risk are as follows:

*Credit Risk*

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The Academy's investment policy does not specifically address credit risk, but minimizes its credit risk by limiting investments to the types allowed by the State.

*Interest Rate Risk*

The Academy minimizes 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 funds, or similar investment pools and limiting the average maturity in accordance with the Academy's cash requirements.

*Concentration of Credit Risk*

The Academy minimizes 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. The Academy's investment policy places no restrictions on the amount or percentage that may be invested in any one type of security.

*Foreign Currency Risk*

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

**OJIBWE CHARTER SCHOOL**  
**Notes to Basic Financial Statements**  
**June 30, 2019**

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**Note C – State School Aid**

State revenues pass through to Michigan schools in the form of a per pupil "Foundation Allowance" paid on a "blended count" of Academy pupil membership in February 2018 and October 2018. The 2018-19 "Foundation Allowance" for Ojibwe Charter School was \$7,871 for 98 "Full Time Equivalent" students, generating \$860,314 in state aid payments to the Academy of which \$157,492 was paid to the Academy in July and August, 2019 and included in "Due From Other Governmental Units" of the General Fund of the Academy.

**Note D—Interfund Receivables/Payables and Transfers**

Operating transfers between funds to allocate expenditures during the year ended June 30, 2019 were as follows:

	<u>Transfer In</u>	<u>Transfer Out</u>
<b>Major Fund</b>		
General Fund:		
Special Revenue Fund:		
Food Service Fund	\$ -	\$ 25,000
	<u>          </u>	<u>          </u>
<b>Nonmajor Funds</b>		
Special Revenue Funds:		
Food Service Fund:		
General Fund	25,000	-
	<u>          </u>	<u>          </u>
<b>Total All Funds</b>	<u>\$ 25,000</u>	<u>\$ 25,000</u>

**OJIBWE CHARTER SCHOOL**  
**Notes to Basic Financial Statements**  
**June 30, 2019**

**Note E – Capital Assets**

Capital asset activity for the year ended June 30, 2019 was as follows:

	<u>Balances July 1, 2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balances June 30, 2019</u>
Capital assets being depreciated:				
Buildings and land improvements	\$ 8,956	\$ -	\$ -	\$ 8,956
Furniture and equipment	362,828	7,821	-	370,649
Vehicles	169,691	86,639	-	256,330
Total capital assets being depreciated	<u>541,475</u>	<u>\$ 94,460</u>	<u>\$ -</u>	<u>635,935</u>
Less accumulated depreciation for:				
Buildings and land improvements	5,472	\$ 326	\$ -	5,798
Furniture and equipment	310,233	9,993	-	320,226
Vehicles	101,756	16,892	-	118,648
Total accumulated depreciation	<u>417,461</u>	<u>\$ 27,211</u>	<u>\$ -</u>	<u>444,672</u>
Total capital assets being depreciated, net	<u>124,014</u>			<u>191,263</u>
<b>Net Capital Assets</b>	<u>\$ 124,014</u>			<u>\$ 191,263</u>

Depreciation expense for the fiscal year ended June 30, 2019 amounted to \$27,211. The Academy determined that it was impractical to allocate depreciation to various governmental activities as the assets serve multiple functions.

**Note F – Operating Lease**

The Academy executed an operating lease with Bay Mills Indian Community for buildings, parking areas and ground located in Brimley, MI. The lease expires annually on June 30<sup>th</sup>. It is anticipated that the lease will be renewed in future years. Rent remitted for fiscal year 2019 was \$60,000 in accordance with the terms of the lease.

The Academy also entered into a one-year operating lease agreement with National Office Products and Printing, for the twelve months ending February 3, 2020, for the rental of copier machine, including service and supplies. The contract will automatically renew annually but may be cancelled at any time at the discretion of the Academy. Monthly rental fees are \$234, and total rental expenses were \$1,170.

**OJIBWE CHARTER SCHOOL**  
**Notes to Basic Financial Statements**  
**June 30, 2019**

**Note G—Long-term Debt**

Changes in long-term debt for the year ended June 30, 2019 are summarized as follows:

	<b>Debt Outstanding July 1, 2018</b>	<b>Debt Added</b>	<b>Debt Retired</b>	<b>Debt Outstanding June 30, 2019</b>
Installment purchase agreement	\$ 58,175	\$ -	\$ 13,009	\$ 45,166

Long-term debt outstanding at June 30, 2019 is comprised of the following:

	<b>Final Maturity Dates</b>	<b>Interest Rates</b>	<b>Outstanding Balance</b>	<b>Amount Due Within One Year</b>
<b>Installment Purchase Agreements</b>				
\$80K 2017 School Bus	September 23, 2022	3.1	\$ 45,166	\$ 13,418

The annual requirements to pay principal and interest on installment purchase agreements are as follows:

<b>Year Ended June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2020	\$ 13,418	\$ 1,212	\$ 14,630
2021	13,838	791	14,629
2022	14,274	355	14,629
2023	3,636	20	3,656
	\$ 45,166	\$ 2,378	\$ 47,544

**Note H—Retirement Plan**

The staff of Ojibwe Charter School are employees of Michigan Educational Services Personnel (MEPS). The Academy reimburses to MEPS a 100% match up to 5% of each employee's salary that has elected to participate in a 403(b) plan. Contributions for the year ended June 30, 2018 totaled \$26,306.

**Note I – Risk Management and Benefits**

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

There were no significant reductions in insurance coverage in fiscal 2018-19, and as of the year ended June 30, 2019, there were no material pending claims against the Academy.

## **SUPPLEMENTARY INFORMATION**

**NONMAJOR GOVERNMENTAL FUND**

**OJIBWE CHARTER SCHOOL**  
**Food Service Special Revenue Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the year ended June 30, 2019**

	Budget	Actual	Variance
<b>Revenues</b>			
Local sources	\$ 700	\$ 1,317	\$ 617
State sources	1,325	1,781	456
Federal sources	67,300	75,457	8,157
<b>Total Revenues</b>	<u>69,325</u>	<u>78,555</u>	<u>9,230</u>
<b>Expenditures</b>			
Current:			
Food service	105,550	100,132	5,418
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(36,225)</u>	<u>(21,577)</u>	<u>14,648</u>
<b>Other Financing Sources</b>			
Transfers in	30,000	25,000	(5,000)
<b>Net Change in Fund Balances</b>	(6,225)	3,423	9,648
<b>Fund Balances, Beginning of Year</b>	<u>8,695</u>	<u>8,695</u>	<u>-</u>
<b>Fund Balances, End of Year</b>	<u><u>\$ 2,470</u></u>	<u><u>\$ 12,118</u></u>	<u><u>\$ 9,648</u></u>



## **AGENCY FUND**

Student Activities—to account for the collection and disbursements of monies used by the school activity clubs and groups.

**OJIBWE CHARTER SCHOOL  
Student Activities Agency Fund  
Statement of Changes in Assets and Liabilities  
For the year ended June 30, 2019**

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	Balances July 1, 2018	Additions	Deductions	Balances June 30, 2019
<b>Assets</b>				
Cash equivalents	\$ 13,491	\$ 45,325	\$ 48,180	\$ 10,636
Accounts Receivable	-	19	-	19
	<b>\$ 13,491</b>	<b>\$ 45,344</b>	<b>\$ 48,180</b>	<b>\$ 10,655</b>
<b>Liabilities</b>				
Due to student groups	\$ 13,491	\$ 45,344	\$ 48,180	\$ 10,655

## **INTERNAL CONTROL AND COMPLIANCE**



**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**

September 20, 2019

The Board of Directors  
Ojibwe Charter School  
Chippewa County, Michigan

We have audited, 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, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Ojibwe Charter School (the “Academy”), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Academy’s basic financial statements, and have issued our report thereon dated September 20, 2019.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Academy’s internal control over financial reporting (internal control) 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 Academy’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Academy’s internal control.

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


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

### ***Compliance and Other Matters***

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

### ***Purpose of this Report***

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

A handwritten signature in cursive script that reads "Hungerford Nichols".

Certified Public Accountants  
Grand Rapids, Michigan