

Audited Financial Statements

White Pine Academy

Leslie, Michigan

June 30, 2016

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of White Pine Academy

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the White Pine Academy as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the White Pine 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 judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of White Pine Academy as of June 30, 2016, 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 v-x and 19 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and the other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the White Pine Academy's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2016, on our consideration of White Pine Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 White Pine Academy's internal control over financial reporting and compliance.



Croskey Lanni, PC

Rochester, Michigan
October 17, 2016

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

To the Board of Directors of White Pine Academy

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the White Pine Academy, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the White Pine Academy's basic financial statements, and have issued our report thereon dated October 17, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the White Pine 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 White Pine Academy's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the White Pine Academy's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2016-001.

White Pine Academy's Response to Findings

White Pine Academy's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. White Pine Academy's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly we express no opinion on it.

Purpose of this Report

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



Croskey Lanni, PC

Rochester, Michigan
October 17, 2016

MANAGEMENT’S DISCUSSION AND ANALYSIS

This section of White Pine Academy’s “WPA”, annual financial report presents our discussion and analysis of the school’s financial performance during the fiscal year that ended on June 30, 2015. Please read it in conjunction with the school’s financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- ❖ The school’s general fund balance decreased this year by \$58,840.
- ❖ The total cost of basic programs was \$189,172.
- ❖ Revenues were at \$651,945 while expenditures were \$709,615 in the General Fund.
 - Blended enrollment used for state aid purposes was 75.93 compared to 97.60 last year.
- ❖ The school decreased its outstanding long term debt by \$66,273.
- ❖ The school has a positive fund balance in the General Fund of \$83,132.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are school-wide financial statements that provide both short-term and long-term information about the school’s overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the school, reporting the schools operations in more detail.
- The governmental fund statements tell how basic services like regular and special education were financed.
- Fiduciary funds statements provide information about the financial relationships in which the school acts solely as a trustee or agent for the benefit of others. These consist of student activity funds held by the school on behalf of the student group.

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

SCHOOL-WIDE STATEMENTS

The school-wide statements report information about the school as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the school’s assets, deferred outflows, liabilities, and deferred inflows. All of the current year’s revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two school wide statements report the school’s net position and how it has changed. Net position – the difference between the school’s assets, deferred outflows, liabilities, and deferred inflows – are one way to measure the school’s financial health or position.

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

FUND FINANCIAL STATEMENTS

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

- ❖ *Governmental activities* – Most of the school’s basic services are included in the general fund, such as regular and special education and administration. State foundation aid finances most of these activities.
- ❖ The school establishes other funds to control and manage money for particular purposes (like repaying its long-term debts) or to show that it is properly using certain revenues.

The school has two kinds of funds:

- ❖ *Governmental funds* – Most of the school’s basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the school’s programs. Because this information does not encompass the additional long-term focus of the school-wide statements, we provide additional information with governmental funds statements that explains the relationship (or differences) between them.
- ❖ *Fiduciary funds* – The school is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. We exclude these activities from the school-wide financial statements because the school cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

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

The school's financial position is the product of many factors. Due to no increases in state aid for the sixth straight year, there were no new asset purchases for the year in the general fund.

School Governmental

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

- ❖ A strong fund balance had been accumulated over the years; however, in recent years the fund balance dropped below an acceptable amount which caused it to be unstable.
- ❖ WPA consistently curtails excessive spending which helped to control the annual deficit resulting from a lower enrollment and a decrease in State Aid during the 2015/2016 school year.

General Fund Budgetary Analysis

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

Financial Outlook

White Pine Academy's financial forecast is cautiously optimistic heading into the 2016/2017 school year. Over the last year White Pine Academy has invested in a marketing strategy to increase the visibility of the school to the surrounding communities. As a result of this marketing strategy White Pine Academy has seen an increase in interest in the school which we expect to result in an increase in our student population.

The Board has adopted budgets for 2016-17 that reflect its commitment to a balanced budget while ensuring quality education to all students.

**Figure A-3
White Pine Academy's Net Position**

	<u>2016</u>	<u>2015</u>
Current assets	\$ 155,333	\$ 210,176
Capital assets, net	<u>1,375,081</u>	<u>1,480,316</u>
Total assets and deferred outflows	<u>1,530,414</u>	<u>1,690,492</u>
Current liabilities	142,404	128,022
Long term liabilities	<u>1,997,337</u>	<u>2,067,541</u>
Net Position:		
Net investment in capital assets	(692,459)	(653,497)
Unrestricted	<u>83,132</u>	<u>148,426</u>
Total net position	<u>\$ (609,327)</u>	<u>\$ (505,071)</u>

**Figure A-4
Changes in White Pine Academy's Net Position**

	<u>2016</u>	<u>2015</u>
Revenues:		
Program revenues:		
Federal and state categorical grants	\$ 84,027	\$ 92,735
Charges for service	<u>3,901</u>	<u>28,313</u>
Total program revenues	<u>87,928</u>	<u>121,048</u>
General revenues:		
State aid - unrestricted	559,253	760,429
Other	<u>25,453</u>	<u>10,707</u>
Total general revenues	<u>584,706</u>	<u>771,136</u>
Total revenues	<u>672,634</u>	<u>892,184</u>
Expenses:		
Instruction	274,933	280,011
Support and community services	275,675	270,411
Unallocated depreciation	105,235	106,122
Unallocated interest	<u>121,047</u>	<u>124,505</u>
Total expenses	<u>776,890</u>	<u>781,049</u>
Change in net position	<u>\$ (104,256)</u>	<u>\$ 111,135</u>

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2016, the school had invested \$1,375,081 in capital assets, including facility, computers and software, net of accumulated depreciation. This amount represents a net decrease of \$105,235 from last year after depreciation. (More detailed information about capital assets can be found in Note 5 to the financial statements.)

The school's fiscal year 2017 budget anticipates no additions in capital assets.

Figure A-5
White Pine Academy's Capital Assets

	<u>Balance</u> <u>June 30, 2016</u>	<u>Balance</u> <u>June 30, 2015</u>
Land	\$ 62,500	\$ 62,500
Building and improvements	2,382,931	2,382,931
Computers, furniture, and equipment	240,843	240,843
Total cost	2,686,274	2,686,274
Less accumulated depreciation	1,311,193	1,205,958
Net book value	<u>\$ 1,375,081</u>	<u>\$ 1,480,316</u>

Long-Term Debt

At year end the school had debt of \$2,067,540, consisting of a capital land contract and a capital lease for equipment.

- The Academy reduced its long term debt by \$66,273.

FACTORS BEARING ON THE SCHOOL'S FUTURE

- Improvement of enrollment trends
- State aid foundation stabilized with federal funds
- Stabilized Staffing
- Renewed School Purpose

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

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

White Pine Academy, 510 Russell Street, Leslie, MI 49251

WHITE PINE ACADEMY

STATEMENT OF NET POSITION
JUNE 30, 2016
See Independent Auditor's Report

ASSETS AND DEFERRED OUTFLOWS

Current Assets

Cash and cash equivalents	\$ 41,206
Due from other governmental units	<u>114,127</u>
Total current assets	155,333

Capital Assets - Net of Accumulated Depreciation

1,375,081

Total assets and deferred outflows \$ 1,530,414

LIABILITIES, DEFERRED INFLOWS AND NET POSITION

Current Liabilities

Accounts payable	\$ 5,404
Notes payable	25,452
Other accrued expenses	41,345
Long-term debt - current portion	<u>70,203</u>
Total current liabilities	142,404

Long-Term Debt - Long-Term Portion

1,997,337

Net Position

Net investment in capital assets	(692,459)
Unrestricted	<u>83,132</u>
Total net position	<u>(609,327)</u>
Total liabilities, deferred inflows and net position	<u>\$ 1,530,414</u>

See accompanying notes to financial statements

WHITE PINE ACADEMY

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016
See Independent Auditor's Report

		Program Revenues		Net (Expense) Revenues and Changes in Net Position
	Expenses	Charges for Services	Operating Grants	Government Type Activities
Functions				
Instructions				
Basic sources	\$ 189,172	\$ -	\$ -	\$ (189,172)
Added needs	85,761	-	67,239	(18,522)
Support services				
Instructional staff support services	7,406	-	-	(7,406)
General administration	26,694	-	-	(26,694)
School administration	125,958	-	-	(125,958)
Business support services	19,229	-	-	(19,229)
Operations and maintenance	52,167	-	-	(52,167)
Central support services	11,983	-	-	(11,983)
Food services	28,313	3,901	16,788	(7,624)
Community services	3,925	-	-	(3,925)
Unallocated depreciation	105,235	-	-	(105,235)
Unallocated interest	121,047	-	-	(121,047)
Total primary government	\$ 776,890	\$ 3,901	\$ 84,027	(688,962)
General Purpose Revenues				
State school aid - unrestricted				559,253
Miscellaneous revenues				25,453
Total general purpose revenues				584,706
Change in net position				(104,256)
Net position - July 1, 2015				(505,071)
Net position - June 30, 2016				\$ (609,327)

See accompanying notes to financial statements

WHITE PINE ACADEMY

COMBINED BALANCE SHEET – ALL GOVERNMENTAL FUNDS

JUNE 30, 2016

See Independent Auditor's Report

ASSETS

	General	Non-Major Special Revenue	Total
Cash and cash equivalents	\$ 41,206	\$ -	\$ 41,206
Due from other governmental units	113,214	913	114,127
Due from other funds	-	3,012	3,012
	<u>\$ 154,420</u>	<u>\$ 3,925</u>	<u>\$ 158,345</u>
Total assets	<u>\$ 154,420</u>	<u>\$ 3,925</u>	<u>\$ 158,345</u>

LIABILITIES AND FUND BALANCE

Liabilities

Accounts payable	\$ 1,479	\$ 3,925	\$ 5,404
Notes payable	25,452	-	25,452
Due to other funds	3,012	-	3,012
Other accrued expenses	41,345	-	41,345
	<u>71,288</u>	<u>3,925</u>	<u>75,213</u>
Total liabilities	71,288	3,925	75,213

Fund Balance

Unassigned	83,132	-	83,132
	<u>83,132</u>	<u>-</u>	<u>83,132</u>
Total liabilities and fund balance	<u>\$ 154,420</u>	<u>\$ 3,925</u>	<u>\$ 158,345</u>

See accompanying notes to financial statements

WHITE PINE ACADEMY

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET POSITION OF GOVERNMENTAL ACTIVITIES

JUNE 30, 2016

See Independent Auditor's Report

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

Total Governmental Fund Balances	\$ 83,132
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$2,686,274 and the accumulated depreciation is \$1,311,193.	1,375,081
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(2,067,540)</u>
Net Position of Governmental Activities	<u>\$ (609,327)</u>

See accompanying notes to financial statements

WHITE PINE ACADEMY

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE – ALL GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016
See Independent Auditor’s Report

	<u>General</u>	<u>Non-Major Special Revenue</u>	<u>Total</u>
Revenues			
Local sources	\$ 25,453	\$ 3,901	\$ 29,354
State sources	586,580	310	586,890
Federal sources	39,912	16,478	56,390
	<hr/>	<hr/>	<hr/>
Total governmental fund revenues	651,945	20,689	672,634
Expenditures			
Instructions			
Basic programs	189,172	-	189,172
Added needs	85,761	-	85,761
Support services			
Instructional staff support services	7,406	-	7,406
General administration	26,694	-	26,694
School administration	125,958	-	125,958
Business support services	19,229	-	19,229
Operations and maintenance	52,167	-	52,167
Central support services	11,983	-	11,983
Food services	-	28,313	28,313
Community services	3,925	-	3,925
Debt principal and interest	187,320	-	187,320
	<hr/>	<hr/>	<hr/>
Total governmental fund expenditures	709,615	28,313	737,928
Excess (deficiency) of revenues over expenditures	(57,670)	(7,624)	(65,294)
Other Financing Sources (Uses)			
Operating transfers in	-	1,170	1,170
Operating transfers out	(1,170)	-	(1,170)
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	(1,170)	1,170	-
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	(58,840)	(6,454)	(65,294)
Fund balance - July 1, 2015	141,972	6,454	148,426
	<hr/>	<hr/>	<hr/>
Fund balance - June 30, 2016	\$ 83,132	\$ -	\$ 83,132
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

See accompanying notes to financial statements

WHITE PINE ACADEMY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016
See Independent Auditor's Report

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

Net Change in Fund Balances - Total Governmental Funds	\$ (65,294)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation and amortization expense. This is the amount by which capital outlays exceeded depreciation and amortization in the current period.

Depreciation and amortization expense	(105,235)
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The governmental funds report loan proceeds as an other financing source, while repayment of loan principal is reported as an expenditure. Interest is recognized as an expenditure in the governmental funds when it is due. The net effect of these differences in the treatment of general loan obligations is as follows:

Repayment of loan principal	<u>66,273</u>
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Change in Net Position of Governmental Activities	<u><u>\$ (104,256)</u></u>
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See accompanying notes to financial statements

WHITE PINE ACADEMY

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUND

JUNE 30, 2016

See Independent Auditor's Report

ASSETS

Cash and cash equivalents	<u>\$ 2,120</u>
Total assets	<u><u>\$ 2,120</u></u>

LIABILITIES

Due to student groups	<u>\$ 2,120</u>
Total liabilities	<u><u>\$ 2,120</u></u>

See accompanying notes to financial statements

WHITE PINE ACADEMY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016 See Independent Auditor's Report

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

White Pine Academy was formed as a public school academy pursuant to the Michigan School Code of 1976, as amended by Act No. 362 of the Public Acts of 1993 and Act No. 416 of the Public Acts of 1994. The Academy filed articles of incorporation as a nonprofit corporation pursuant to the provisions of the Michigan Nonprofit Corporation Act of 1982, as amended, on May 26, 2000, and began operation in July 2000.

In July 2009, the Academy entered into a five-year contract with the Saginaw Valley State University Board of Control to charter a public school academy. The contract has been subsequently renewed through June, 2017. The contract requires the Academy to act exclusively as a governmental agency and not undertake any action inconsistent with its status as an entity authorized to receive state school aid funds pursuant to the State constitution. The University's Board of Control is the fiscal agent for the Academy and is responsible for overseeing the Academy's compliance with the contract and all applicable laws. The Academy pays the Saginaw Valley State University Board of Control three percent of state aid as administrative fees. Total administrative fees paid for the year ended June 30, 2016 were approximately \$16,700.

In July 2014 the Academy entered into a one-year agreement with American Charter Education Services, Inc., "ACES". Under the terms of this agreement, ACES will provide a variety of financial services. The contract has been subsequently renewed through June, 2016. The contract is being negotiated for the 2016/2017 school year. The Academy is obligated to pay ACES a flat fee of \$15,000 for the year. Total paid for these services amounted to approximately \$15,000 for the year ended June 30, 2016.

In July 2014, the Academy entered into a three-year agreement with Axios Charter HR, LLC, "Axios", through June 30, 2017. Axios will provide staffing, payroll, and benefits administration to the Academy and will receive three and one half percent of total gross pay of all covered Axios employees assigned to the Academy. The total paid for these services amounted to approximately \$12,000 for the year ended June 30, 2016.

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational or financial relationships with the public school Academy. Based on application of criteria, the Academy does not contain component units.

Fund Financial Statements

Fund financial statements report detailed information about the Academy. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

WHITE PINE ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2016
See Independent Auditor's Report

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Basis of Presentation – Fund Accounting

The accounts of the Academy are organized on the basis of funds. The operations of a fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenue and expenditures. Government resources are allocated to and accounted for in individual funds based on the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the combined financial statements in this report, into generic fund types in two broad fund categories.

Governmental Funds

A governmental fund is a fund through which most academy functions typically are financed. The acquisition, use and balances of the Academy's expendable financial resources and the related current liabilities are accounted for through a governmental fund.

General Fund - The general fund is used to record the general operations of the Academy pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved current operating budget.

Special Revenue Fund - The special revenue fund is used to account for the food service program operations. The special revenue fund is a subsidiary operation and is an obligation of the general fund. Therefore any shortfall in the special revenue fund will be covered by an operating transfer from the general fund.

Debt Service Fund - The debt service fund, which the Academy does not currently maintain, is used to record certain revenue and the payment of interest, principal and other expenditures on long-term debt.

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

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

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

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

WHITE PINE ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2016
See Independent Auditor's Report

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES— Continued

- a. Revenue that is both measurable and available for use to finance operations is recorded as revenue when earned. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Academy considers revenues to be available if they are collected within sixty days of the end of the current fiscal period.
- b. Payments for inventorable types of supplies, which are not significant at year end, are recorded as expenditures at the time of purchase.
- c. Principal and interest of general long-term debt are not recorded as expenditures until their due dates.
- d. The State of Michigan utilizes a foundation allowance funding approach, which provides for specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenue from state sources is primarily governed by the School Aid Act and the School Code of Michigan. The state portion of the foundation is provided from the State's School Aid Fund and is recognized as revenue in accordance with state law. A major portion of the Academy's revenue is derived from this state aid. As such, the Academy is considered to be economically dependent on this aid. The Academy's existence is dependent upon qualification for such aid.

Government-Wide Financial Statements

The government-wide financial statements (i.e. the statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This approach differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationships between the government-wide statements and the statements for governmental funds.

The government-wide Statement of Activities presents a comparison between expenses and program revenues for each segment of the business-type activities of the Academy and for each governmental program. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. The Academy does not allocate indirect expenses to programs. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or function is self-financing or draws from the general revenues of the Academy. When both restricted and unrestricted resources are available for use, it is the Academy's policy to use restricted resources first.

WHITE PINE ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2016
See Independent Auditor's Report

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Net position should be reported as restricted when constraints placed on net position's use is either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The Academy first utilizes restricted resources to finance qualifying activities.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government - wide financial statements.

Cash and Cash Equivalents

The Academy's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with maturities of three months or less from the date of acquisition. The Academy reports its investments in accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools and GASB No. 40, Deposit and Investment Risk Disclosures. Under these standards, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Academy intends to hold the investment until maturity. The Academy held no investments during the year ended June 30, 2016. State statutes authorize the Academy to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, saving accounts, deposit accounts, and or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Corporation or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The Academy is also authorized to invest in U.S. Government or Federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

Receivables

Receivables at June 30, 2016 consist primarily of state school aid due from the State of Michigan and the federal government. All receivables are expected to be fully collected in July and August of 2016 and are considered current for the purposes of these financial statements.

Prepaid Assets

Payments made to vendors for services that will benefit periods beyond June 30, 2016, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

WHITE PINE ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2016
See Independent Auditor's Report

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Capital Assets and Depreciation

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

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

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

Accrued Liabilities and Long-Term Obligations

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

Net Position

Net position represents the difference between assets, deferred outflows, liabilities and deferred inflows. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors or laws of regulations of other governments.

Fund Equity

The Academy has adopted GASB 54 as part of its fiscal year reporting. The intention of the GASB is to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the Academy's financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on those resources.

WHITE PINE ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2016
See Independent Auditor's Report

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

GASB 54 provides for two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. This category typically includes prepaid items and inventories.

In addition to nonspendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints.

- a. *Restricted fund balance* – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- b. *Committed fund balance* – amounts constrained to specific purposes by the Board; to be reported as committed, amounts cannot be used for any other purpose unless the Board takes action to remove or change the constraint.
- c. *Assigned fund balance* – amounts the Board intends to use for a specific purpose; intent can be expressed by the Board or by an official or committee to which the Board delegates the authority.
- d. *Unassigned fund balance* – amounts that are available for any purpose; these amounts are reported only in the general fund.

The Academy follows the policy that restricted, committed, or assigned amounts will be considered to have been spent when an expenditure is incurred for purposes for which both unassigned and restricted, committed, or assigned fund balances are available.

Estimates

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

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. State law requires the Academy to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. The Academy is required by law to adopt general fund and special revenue fund budgets. During the year ended June 30, 2016 the budget was amended in a legally permissible manner. Actual results as compared to the budget are detailed on page 19 of these financial statements.

WHITE PINE ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2016
See Independent Auditor's Report

NOTE 3 - DEPOSITS AND INVESTMENTS

Interest Rate Risk

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

Credit Risk

State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2016, the Academy did not have any investments.

Concentration of Credit Risk

The Academy will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Academy's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. As of June 30, 2016, none of the Academy's cash was exposed to custodial credit risk because it was uninsured. All cash balances were uncollateralized as of June 30, 2016.

Custodial Credit Risk - Investments

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

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

Foreign Currency Risk

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

WHITE PINE ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2016
See Independent Auditor's Report

NOTE 4 – DUE FROM OTHER GOVERNMENTAL UNITS

Amounts due from other governmental units consist of the following:

State sources	\$	108,297
Federal sources		<u>5,830</u>
Total	\$	<u><u>114,127</u></u>

NOTE 5 - CAPITAL ASSETS

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

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2016</u>
Capital assets not subject to depreciation				
Land	\$ 62,500	\$ -	\$ -	\$ 62,500
Capital assets subject to depreciation				
Building	2,380,902	-	-	2,380,902
Equipment	240,843	-	-	240,843
Improvements	<u>2,029</u>	<u>-</u>	<u>-</u>	<u>2,029</u>
Sub-total	2,686,274	-	-	2,686,274
Accumulated depreciation				
Building	968,920	103,334	-	1,072,254
Equipment	235,009	1,901	-	236,910
Improvements	<u>2,029</u>	<u>-</u>	<u>-</u>	<u>2,029</u>
Sub-total	<u>1,205,958</u>	<u>105,235</u>	<u>-</u>	<u>1,311,193</u>
Total net capital assets	<u>\$ 1,480,316</u>	<u>\$ (105,235)</u>	<u>\$ -</u>	<u>\$ 1,375,081</u>

Depreciation and amortization expense was not charged to activities as the Academy considers its assets to impact multiple activities and allocation is not practical.

WHITE PINE ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
 FOR THE YEAR ENDED JUNE 30, 2016
 See Independent Auditor's Report

NOTE 6 – NOTE PAYABLE

Notes payable as of June 30, 2016 can be summarized as follows:

Loan Information

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Other</u>
SAAN 14/15	2.80%	August, 2015	Paid in full
SAAN 15/16	3.50%	August, 2016	Issued to provide the Academy with funds to finance operations before first state aid payment is received; secured by future state aid payments.

Loan Activity

	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Retirements and Payments</u>	<u>Balance June 30, 2016</u>
SAAN 14/15	\$ 26,450	\$ -	\$ 26,450	\$ -
SAAN 15/16	-	140,000	114,548	25,452
Total loan activity	<u>\$ 26,450</u>	<u>\$ 140,000</u>	<u>\$ 140,998</u>	<u>\$ 25,452</u>

NOTE 7 – ACCRUED EXPENSES

Purchased services - payroll and benefits	\$ 38,277
University oversight fee	3,068
Total accrued expenses	<u>\$ 41,345</u>

WHITE PINE ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
 FOR THE YEAR ENDED JUNE 30, 2016
 See Independent Auditor's Report

NOTE 8 - LONG-TERM OBLIGATIONS PAYABLE

Long-term obligations as of June 30, 2016 can be summarized as follows:

Loan Information

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Other</u>
Land contract	5.75%	November, 2033	Loan was refinanced in November, 2013 to reduce payment and interest rate. Payment is \$15,500 monthly, including interest.
Capital lease	7.50%	February, 2020	Payable monthly at \$110. Secured by Academy equipment.

Loan Activity

	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Retirements and Payments</u>	<u>Balance June 30, 2016</u>	<u>Due Within One Year</u>
Land contract	\$ 2,128,706	\$ -	\$ 65,303	\$ 2,063,403	\$ 69,158
Capital lease	5,107	-	970	4,137	1,045
Total loan activity	<u>\$ 2,133,813</u>	<u>\$ -</u>	<u>\$ 66,273</u>	<u>\$ 2,067,540</u>	<u>\$ 70,203</u>

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

	<u>Principal</u>	<u>Interest</u>
2017	\$ 70,203	\$ 117,117
2018	74,367	112,953
2019	78,779	108,541
2020	82,896	103,874
2021	86,994	99,006
2022 - 2026	518,354	411,646
2027 - 2031	690,539	239,461
2032 - 2034	465,408	35,669

WHITE PINE ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2016
See Independent Auditor's Report

NOTE 8 - LONG-TERM OBLIGATIONS PAYABLE - Continued

Following are minimum future lease agreements under capital leases for the next four years and in total:

2017	\$	1,320
2018		1,320
2019		1,320
2020		<u>770</u>
Subtotal		4,730
Less amount representing interest		<u>593</u>
Present value of minimum lease payments	\$	<u><u>4,137</u></u>

NOTE 9 - RISK MANAGEMENT

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

SUPPLEMENTAL INFORMATION

WHITE PINE ACADEMY

REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016
See Independent Auditor’s Report

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues				
Local sources	\$ 46,519	\$ 46,519	\$ 25,453	\$ (21,066)
State sources	721,419	604,371	586,580	(17,791)
Federal sources	42,938	42,768	39,912	(2,856)
	<hr/>	<hr/>	<hr/>	<hr/>
Total general fund revenues	810,876	693,658	651,945	(41,713)
Expenditures				
Instruction				
Basic programs	245,775	237,838	189,172	(48,666)
Added needs	75,380	47,549	85,761	38,212
Support services				
Instructional staff support services	-	-	7,406	7,406
General administration	31,879	27,440	26,694	(746)
School administration	124,190	117,600	125,958	8,358
Business support services	24,000	25,650	19,229	(6,421)
Operations and maintenance	61,940	61,339	52,167	(9,172)
Central support services	17,000	17,620	11,983	(5,637)
Community services	4,554	4,555	3,925	(630)
Debt principal and interest	199,250	199,250	187,320	(11,930)
	<hr/>	<hr/>	<hr/>	<hr/>
Total general fund expenditures	783,968	738,841	709,615	(29,226)
Excess of revenues over expenditures	26,908	(45,183)	(57,670)	(12,487)
Other Financing Sources (Uses)				
Operating transfers out	-	-	(1,170)	(1,170)
	<hr/>	<hr/>	<hr/>	<hr/>
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	26,908	(45,183)	(58,840)	(13,657)
Fund balance - July 1, 2015	141,972	141,972	141,972	-
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balance - June 30, 2016	\$ 168,880	\$ 96,789	\$ 83,132	\$ (13,657)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

WHITE PINE ACADEMY

SCHEDULE OF REVENUES – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016
See Independent Auditor's Report

Local Sources

Other local revenues	\$	25,453
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State Sources

At risk		24,538
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Special education		2,789
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State aid		<u>559,253</u>
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Total state sources		586,580
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Federal Sources

Title I		17,487
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Title II A		7,406
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Other program revenue		<u>15,019</u>
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Total federal sources		<u>39,912</u>
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Total general fund revenues	\$	<u><u>651,945</u></u>
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WHITE PINE ACADEMY

SCHEDULE OF EXPENDITURES – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016
See Independent Auditor’s Report

Basic Programs

Purchased services	\$ 183,484
Rentals	1,514
Supplies and materials	<u>4,174</u>
Total basic programs	189,172

Added Needs

Purchased services	85,761
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Instructional Staff Support Services

Purchased services	7,406
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General Administration

Purchased services	10,000
University oversight	<u>16,694</u>
Total general administration	26,694

School Administration

Purchased services	112,918
Supplies and materials	217
Other expenditures	<u>12,823</u>
Total school administration	125,958

Business Support Services

Other expenditures	19,229
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Operations and Maintenance

Purchased services	2,880
Repairs and maintenance	1,616
Other purchased services	3,832
Supplies and materials	2,280
Other expenditures	<u>41,559</u>
Total operations and maintenance	52,167

WHITE PINE ACADEMY

SCHEDULE OF EXPENDITURES – GENERAL FUND - Continued
FOR THE YEAR ENDED JUNE 30, 2016
See Independent Auditor’s Report

Central Support Services

Purchased services 11,983

Community Services

Purchased services 3,925

Debt Principal and Interest

187,320

Total general fund expenditures

\$ 709,615

WHITE PINE ACADEMY

SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED JUNE 30, 2016 See Independent Auditor's Report

Reference Number

Findings

2016-001

Finding Type – Noncompliance

Criteria – The Michigan Public School Accounting Manual, Section IV, indicates that, when used appropriately, a budget provides the school board and administration with the ability to control and evaluate the use of the Academy's funds.

Condition – Actual results of operations came in \$13,657 less than anticipated in the final budget due to differences in revenues.

Cause / Effect – The budget while amended during the year, did not accurately reflect actual final revenues due to changes in special education funding and state aid funding. The effect was an unintentional violation of state law.

Recommendation – The Academy should fully review actual and anticipated revenues and expenditures and in response amend the budget accordingly in order to comply with state law.

Auditee Response – The auditee agrees with the finding. The Academy has reviewed and revised its accounting procedures to ensure budgets are properly and timely reviewed and amended throughout the year.