

Francis Street Primary School

Financial Report
With Supplementary Information

Year Ended June 30, 2022

Independent Auditors' Report i – ii

Management's Discussion and Analysis iii-vii

Basic Financial Statements

 Government-Wide Financial Statements:

 Statement of Net Position 1

 Statement of Activities..... 2

 Fund Financial Statements:

 Governmental Funds:

 Balance Sheet 3

 Reconciliation of the Fund Balances on the Balance Sheet of Governmental Funds
 to Net Position of Governmental Activities on the Statement of Net Position 4

 Statement of Revenues, Expenditures, and Changes in Fund Balance..... 5

 Reconciliation of the Statement of Revenues, Expenditures, and Changes in
 Fund Balance of Governmental Funds to the Statement of Activities..... 6

 Notes to Financial Statements 7-13

Required Supplementary Information

 Budgetary Comparison Schedule - General Fund 14

**Independent Auditors' 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*** 15-16

Schedule of Findings 17-18

Corrective Action Plan..... 19



WILLIS & JURASEK

CPAS AND CONSULTANTS

Independent Auditors' Report

Board of Directors
Francis Street Primary School
Jackson, Michigan

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Francis Street Primary School as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Francis Street Primary School's basic financial statements as listed in the table of contents.

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 Francis Street Primary School, as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Francis Street Primary School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt Francis Street Primary School's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Francis Street Primary School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Francis Street Primary School's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2022, on our consideration of Francis Street Primary 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Francis Street Primary School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Francis Street Primary School's internal control over financial reporting and compliance.

Willis & Jurasek, P.C.

Willis & Jurasek, P.C.

October 15, 2022

Francis Street Primary School
Management's Discussion and Analysis
Year Ended June 30, 2022

As administration of Francis Street Primary School, County of Jackson, State of Michigan ("the School"), we offer readers of the School's financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2022.

Financial Highlights

- The assets of the School exceeded its liabilities at the close of the most recent fiscal year by \$179,215 (positive net position).
- The School's total net position increased by \$46,585. The increase represents the amount by which revenues exceeded expenditures.
- The School's student enrollment was 58, a decrease of 14 from the prior year.
- The General Fund had a net change in fund balance of \$27,127. At the end of the year, the total fund balance for the General Fund was \$193,992.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the School financially as a whole. The government-wide financial statements provide information about the activities of the whole School, presenting both an aggregate view of the School's finances and a longer-term view of those finances. The financial statements then proceed to provide an increasingly detailed look at specific financial activities included in the fund financial statements. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements provide information about the School's sole fund – the General Fund.

Reporting the Academy as a Whole

The Statement of Net Position and Statement of Activities – One of the most important questions asked about the School's finances is, "Is the School better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities, which appear first in the School's financial statements, report information about the School as a whole and about its activities in a manner that helps to answer this question. These statements include all assets and liabilities of the School using the accrual basis of accounting, which is similar to the accounting used by private-sector corporations. However, the School's goal is to provide services to its students, not to generate profits, as private-sector corporations do. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

The Statement of Net Position and Statement of Activities present information about the following:

Governmental Activities – All of the School's basic services are considered to be governmental activities, including instruction and various support services. Intergovernmental revenues, (unrestricted and restricted State Aid), and donations finance most of these activities.

These two statements report the School's net position and changes to net position for the year. The change in net position provides the reader a tool to assist in determining whether the School's financial health is improving or deteriorating. The reader will need to consider other non-financial factors such as economic conditions in the State, political conditions at the State Capitol, student enrollment growth, and facility conditions in arriving at their conclusion regarding the overall health of the School.

The government-wide financial statements can be found on pages 1 and 2 of this report.

Francis Street Primary School
Management's Discussion and Analysis
Year Ended June 30, 2022

Reporting the Academy's Most Significant Funds

Fund Financial Statements – The fund financial statements provide detailed information about the most significant fund – the General Fund. The fund financial statements begin on page 3 and provide detailed information about the most significant fund. The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual." The School has only one type of fund, the governmental funds.

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

Governmental Funds – All of the School's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or less financial resources available to spend in the near future to finance the School's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the basic financial statements.

The basic governmental fund financial statements can be found on pages 3 and 5 of this report.

Additional Information – The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 7 – 13 of this report.

Government-Wide Financial Analysis

The government-wide financial analysis focuses on the net position and changes in net position of the School's governmental activities. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The following is a summary of the School's net position as of June 30, 2022 and 2021:

	Governmental Activities	
	2022	2021
Assets:		
Current assets	\$ 316,709	\$ 300,637
Non-current assets	72,583	80,825
Total assets	389,292	381,462
Liabilities:		
Current liabilities	122,717	142,227
Non-current liabilities	87,360	106,605
Total liabilities	210,077	248,832
Net Position:		
Invested in capital assets - net of related debt	57,511	44,628
Unrestricted	121,704	88,002
Total net position	\$ 179,215	\$ 132,630

Francis Street Primary School
Management's Discussion and Analysis
Year Ended June 30, 2022

The above analysis focuses on the net position. The change in net position of the School's governmental activities is discussed below. The net position differs from fund balances and a reconciliation of such appears on page 4.

The School's positive restricted net position reflects its investment in capital assets (i.e. land, buildings, and equipment) less any related debt used to acquire those assets that is still outstanding. The School uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the School's investment in its capital assets is reported net of related debt, it should be noted that the resources to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following is a summary of the change in net position for the year ended June 30, 2022 and 2021:

	2022	2021
Revenues:		
Program Revenue:		
Operating grants and contributions	\$ 107,527	\$ 200,797
General Revenue:		
State School Aid	524,645	577,443
Other	4,520	10,664
Total revenues	636,692	788,904
Expenses:		
Instruction	236,216	290,997
Support services	331,775	305,115
Interest on long-term debt	4,212	12,041
Other	9,662	-
Depreciation - unallocated	8,242	8,242
Total expenses	590,107	616,395
Change in Net Position	46,585	172,509
Net Position, Beginning of Year	132,630	(39,879)
Ending Net Position	\$ 179,215	\$ 132,630

The School's net position increased by \$46,585 during the current fiscal year. The increase in net position differs from the change in fund balances and a reconciliation appears on page 6.

Since unrestricted State Aid constitutes the vast majority of the School's operating revenue sources, the Board of Directors and Administration must annually evaluate the needs of the School and balance those needs with State-prescribed available unrestricted resources.

General Fund Budgeting and Operating Highlights

The School's budgets for the General Fund are prepared according to Michigan Law. During the fiscal year ended June 30, 2022, the School amended the budget of this major governmental fund as needed. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the School's original and final budget amounts compared with amounts actually paid and received is provided in required supplementary information of these financial statements.

Francis Street Primary School
 Management's Discussion and Analysis
 Year Ended June 30, 2022

The General Fund actual revenues and other financing sources were \$636,692. That amount is above the amended budget estimate of \$553,950 and above the original budget of \$572,770.

The actual expenditures and other financing uses of the General Fund were \$609,565, which is above the amended budget estimate of \$597,683 and above the original budget of \$524,233.

These actual revenue and expenditure amounts created a net change in fund balance of \$27,127 and an ending positive fund balance of \$193,992.

Capital Asset and Debt Administration

Capital Assets – At the end of the fiscal year 2022, the School had \$104,428 invested in site improvements and furniture and equipment. On this amount, \$31,845 in depreciation has been taken. There is currently a net book value of \$72,583. There were no expenditures for depreciable capital outlay for the fiscal year.

	<u>Governmental Activities</u>	
	<u>2022</u>	<u>2021</u>
Site improvements and construction in progress	\$ 80,711	\$ 80,711
Furniture and equipment	23,717	23,717
Total capital assets	104,428	104,428
Less accumulated depreciation	31,845	23,603
Net capital assets	\$ 72,583	\$ 80,825

Long-Term Debt – At June 30, 2022, the School had total debt outstanding of \$87,360. The debt is for a playground equipment loan and a loan to a related party. The School's total debt decreased by a net \$19,245 during the current fiscal year.

Additional information on the School's long-term debt can be found in Note 6 on page 12 of this report.

Francis Street Primary School
Management's Discussion and Analysis
Year Ended June 30, 2022

Economic Factors and Next Year's Budgets and Rates

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

- Student enrollment is expected to increase as stated below, and continue to increase each following year as the School continues to add grade levels until approximately fifth grade. This will in turn allow for an additional 20 students for each classroom.

The following assumptions were made in preparing the School's original budget for the 2022-2023 fiscal year:

- Foundation allowance of approximately \$9,000
- A student enrollment of 55

Requests for Information

This financial report is designed to provide a general overview of Francis Street Primary School's finances for all those with an interest in the School's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Nikki Macchia, Office Manager
Francis Street Primary
1320 Martin Luther King Jr. Drive
Jackson, Michigan 49203
nmacchia@francisstreetprimary.com
517-879-1380

Francis Street Primary School
Statement of Net Position
June 30, 2022

	Governmental Activities
Assets:	
Cash and cash equivalents	\$ 152,487
Due from other governmental units	164,222
Capital assets, net of accumulated depreciation	72,583
Total assets	<u>389,292</u>
Liabilities:	
Accounts payable and accrued expenses	43,497
Accrued salaries and benefits	26,941
Unearned revenue	52,279
Long-term liabilities:	
Due within one year	14,869
Due in more than one year	72,491
Total liabilities	<u>210,077</u>
Net Position:	
Net investment in capital assets	57,511
Unrestricted	121,704
Total net position	<u>\$ 179,215</u>

Francis Street Primary School
Statement of Activities
Year Ended June 30, 2022

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>		<u>Governmental Activities</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Expenses) Revenues and Change in Net Position</u>
Primary Government				
Governmental activities:				
Instruction	\$ 236,216	\$ -	\$ 87,845	\$ (148,371)
Support services	331,775	-	19,682	(312,093)
Interest on long-term debt	4,212	-	-	(4,212)
Other	9,662	-	-	(9,662)
Depreciation (unallocated)	8,242	-	-	(8,242)
Total governmental activities	<u>\$ 590,107</u>	<u>\$ -</u>	<u>\$ 107,527</u>	<u>(482,580)</u>
General Revenues:				
				524,645
				4,520
				<u>529,165</u>
				46,585
				<u>132,630</u>
				<u>\$ 179,215</u>

Francis Street Primary School
Balance Sheet
Governmental Funds
June 30, 2022

<u>Assets</u>	<u>General Fund</u>
Cash and cash equivalents	\$ 152,487
Receivable from other governments	164,222
Total assets	<u>\$ 316,709</u>
 <u>Liabilities and Fund Balance</u>	
Liabilities:	
Accounts payable	\$ 43,497
Unearned revenue	52,279
Salaries payable and related	26,941
Total liabilities	<u>122,717</u>
Fund Balance:	
Unassigned	<u>193,992</u>
Total fund balance	<u>193,992</u>
Total liabilities and fund balance	<u>\$ 316,709</u>

Francis Street Primary School
Reconciliation of the Fund Balances on the Balance Sheet of Governmental Funds
to Net Position of Governmental Activities on the Statement of Net Position
June 30, 2022

Total Fund Balance - Governmental Funds \$ 193,992

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

Capital assets used in governmental activities are not current financial
resources and therefore are not reported in the governmental funds.

The cost of the capital assets is	\$ 104,428	
Accumulated depreciation is	<u>(31,845)</u>	
		72,583

Long-term liabilities (notes payable, etc.) are not due and payable in the
current period and are not reported
in the governmental funds.

Loans payable	<u>(87,360)</u>
---------------	-----------------

Total Net Position - Governmental Activities \$ 179,215

Francis Street Primary School
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
Year Ended June 30, 2022

	General Fund
Revenues:	
Local sources	\$ 4,520
State sources	564,234
Federal sources	67,938
Total revenues	636,692
Expenditures:	
Instruction	236,216
Support services	331,775
Debt service:	
Principal and interest	19,245
Interest and other charges	12,667
Other	9,662
Total expenditures	609,565
Net Change in Fund Balance	27,127
Fund Balance - Beginning of Year	166,865
Fund Balance - End of Year	\$ 193,992

Francis Street Primary School

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance
of Governmental Funds to the Statement of Activities
Year Ended June 30, 2022

Net Change in Fund Balance - Total Governmental Funds \$ 27,127

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

Governmental funds report capital outlays as expenditures; in the Statement of Activities, these costs are allocated over their estimated useful lives as depreciation.

The amount by which net capital expenditures of \$0 exceed depreciation of \$8,242 in the current period. (8,242)

Accrued interest is recorded in the Statement of Activities when incurred; it is not reported in governmental funds until paid 8,455

Governmental funds report debt proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of debt principal as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities.

Repayments:

Repayments on related party loan	\$ 12,927	
Payments on equipment loan	6,318	
	<u>19,245</u>	<u>19,245</u>

Change in Net Assets of Governmental Activities \$ 46,585

Francis Street Primary School
Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies

The basic financial statements of Francis Street Primary School (“the School”) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the School’s accounting policies are described below.

Reporting Entity

The School was established under the provisions of the State of Michigan as a Public Academy. Public School Academies are formed pursuant to the Michigan School Code of 1976 as amended by Act Number 416 of the Public Acts of 1994; Act Number 416 became effective March 30, 1995. The School has contracted with Grand Valley State University’s Board of Trustees to charter a Public Academy. The School operates under an appointed Board of Directors and provides education needs for grades K – 3.

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 financial relationships that determine which of the governmental organizations are a part of the School’s reporting entity, and which organizations are legally separate, component units of the School. Based on the application of the criteria, the School does not contain any component units.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide and Fund Financial Statements

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. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the School’s government-wide activities are considered governmental activities. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting.

The Statement of Net Position presents all governmental activities on a consolidated basis. The Statement of Net Position reports all assets and liabilities including those of a long-term nature. The net difference is reported as net position. Net position is categorized as net investment in capital assets, restricted net position, and unrestricted net position. It is the School’s policy to allocate resource outlays first to restricted net position with the remainder allocated to unrestricted net position.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment 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. Intergovernmental payments and other items not properly included among program revenues are reported instead as general revenue. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants, categorical aid, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Francis Street Primary School
Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Government-Wide and Fund Financial Statements (Continued)

Fund Financial Statements – Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, severance pay, claims, and judgments are only recorded when payment is due.

Unrestricted State aid, intergovernmental grants, and interest associated with the current fiscal period, are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. Expenditure reimbursing grants are recognized when the qualifying expenditures have been incurred, eligibility requirements have been met, and receipt of monies is expected within the current availability period (60 days post year-end). All other revenue items are considered to be available only when cash is received by the government.

The School reports one major governmental fund, the General Fund, which is the School's primary operating fund. It accounts for all financial resources of the School.

Revenue, Assets, Liabilities, and Net Position or Equity

State Revenue – 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 State sources. Revenues from State sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of State funds to school districts and academies based on information supplied by the school districts and academies. For the year ended June 30, 2022, the foundation allowance was based on pupil membership counts.

The State portion of the foundation is provided primarily by a state education property tax millage of six mills and an allocated portion of state sales and other taxes. The State revenue is recognized during the foundation period and is funded through payments from October to August. Thus, the unpaid portion at June 30th is reported as due from other governmental units.

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

Francis Street Primary School
Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

Revenue, Assets, Liabilities, and Net Position or Equity (Continued)

Deposits and Investments – Cash and cash equivalents include demand deposits.

The School reports its cash and investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and GASB Statement No. 40, *Deposits 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 School intends to hold the investment until maturity. Accordingly, investments in bankers' acceptances and commercial paper are recorded at amortized cost. As of year-end, the School held no investments.

State statutes authorize the School to invest in bonds, and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, 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 Insurance 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 School 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 and Payables – Receivables are shown net of an allowance for uncollectible amounts. The School has determined the uncollectible amounts are immaterial and no provision has been recorded.

Capital Assets - Capital assets, which include land, buildings, and equipment, are reported in the applicable governmental activities column in the government-wide financial statements. The School defines capital assets as assets with an initial individual cost of \$1,000 or greater and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School does not have infrastructure type assets. Buildings, equipment, and furniture are depreciated using the straight-line method over the following useful lives:

Site improvements	15 years
Furniture and equipment	5-10 years

Long-Term Obligations – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position.

Deferred Outflows/Inflows of Resources – In addition to assets, the Statement of Net Position may report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the Statement of Net Position may report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

Francis Street Primary School
Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

Revenue, Assets, Liabilities, and Net Position or Equity (Continued)

Fund Equity – The School has implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. In accordance with this guidance, fund balances of governmental funds are categorized according to five defined categories of fund balance. These categories consist of *nonspendable* amounts which are legally or contractually required to be maintained intact; *restricted* amounts that are constrained for specific purposes set by external parties or law; *committed* amounts that are constraints set by the highest decision making authority (the School Board) through adoption of a resolution and may only be removed by the School Board through a rescindment resolution; *assigned* amounts that have an intended purpose but require no formal specific action; and *unassigned* amounts which are the residual of the other categories and have no specific purpose. It is the School's policy to generally use fund balance in order according to the hierarchy of fund balance categories, from restricted down to unassigned.

Use of Estimates - The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Note 2 – Stewardship, Compliance, and Accountability

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriations lapse at fiscal year-end. The School follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Chief Academic Officer submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Prior to July 1, the budget is legally adopted by Board of Directors resolution pursuant to the *Uniform Budgeting and Accounting Act* (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations if any, for the General Fund, are noted in the required supplementary information section.
3. The Chief Academic Officer is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
4. Formal budgetary integration is employed as a management control device during the year for the General Fund.
5. The budget was amended during the year with supplemental appropriations, the last one approved prior to the end of the fiscal year.

Francis Street Primary School
Notes to Financial Statements

Note 3 – Deposits and Investments

At year-end, the School's deposits were all held in deposit accounts (checking and savings).

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the School's deposits may not be returned. The School has not adopted and State law does not require a policy for deposit custodial credit risk. As of year-end, none of the School's bank balance of approximately \$161,000 was uninsured and uncollateralized.

Note 4 – Receivables

Receivables at year-end consist mainly of amounts due from other governmental units and more specifically, the Michigan Department of Education. Receivables at year-end totaled \$164,222.

Note 5 – Capital Assets

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals and Adjustments</u>	<u>Year-End Balance</u>
Assets not being depreciated:				
Construction in progress	\$ 15,104	\$ -	\$ -	\$ 15,104
Total assets not being depreciated	<u>15,104</u>	<u>-</u>	<u>-</u>	<u>15,104</u>
Capital assets beings depreciated:				
Site improvements	65,607	-	-	65,607
Furniture and equipment	23,717	-	-	23,717
Subtotal	<u>89,324</u>	<u>-</u>	<u>-</u>	<u>89,324</u>
Accumulated depreciation:				
Site improvements	11,773	3,868	-	15,641
Furniture and equipment	11,830	4,374	-	16,204
Subtotal	<u>23,603</u>	<u>8,242</u>	<u>-</u>	<u>31,845</u>
Net capital assets being depreciated	<u>65,721</u>	<u>(8,242)</u>	<u>-</u>	<u>57,479</u>
Net capital assets	<u>\$ 80,825</u>	<u>\$ (8,242)</u>	<u>\$ -</u>	<u>\$ 72,583</u>

Depreciation - Total depreciation for the fiscal year was \$8,242. The School has determined it is impractical to allocate depreciation among governmental activities.

Francis Street Primary School
Notes to Financial Statements

Note 6 – Long-Term Debt

The following is a summary of long-term debt transactions for the year ended June 30, 2022:

	Beginning			Ending	Amounts Due
	Balance	Additions	Reductions	Balance	Within One
					Year
Governmental Activities:					
Navitas	\$ 11,187	\$ -	\$ 6,318	\$ 4,869	\$ 4,869
Related party	95,418	-	12,927	82,491	10,000
Total governmental activities	<u>\$ 106,605</u>	<u>\$ -</u>	<u>\$ 19,245</u>	<u>\$ 87,360</u>	<u>\$ 14,869</u>

Estimated annual debt service requirements to maturity on the above governmental loan obligations are as follows:

	Governmental Activities		
	Principal	Interest	Total
2023	\$ 14,869	\$ 2,621	\$ 17,490
2024	10,000	2,000	12,000
2025	10,000	1,700	11,700
2026	10,000	1,450	11,450
2027	10,000	1,100	11,100
Thereafter	<u>32,491</u>	<u>5,000</u>	<u>37,491</u>
Total	<u>\$ 87,360</u>	<u>\$ 13,871</u>	<u>\$ 101,231</u>

Long-term debt consists of:

\$25,346 Navitas borrowing used to purchase playground equipment; due in 60 monthly installments of \$621 including interest at 19%; final payment due May 2023; collateralized by playground equipment.	\$ 4,869
\$94,367 unsecured related party loan; interest at 3% due annually, see Note 8.	<u>82,491</u>
Total	<u>\$ 87,360</u>

Note 7 – Leases

The School leased its land and buildings from a related party, Francis Street Schoolhouse, LLC, see Note 8. Rent expense for the year ended June 30, 2022 was \$18,000 with \$36,000 included in accounts payable. The lease agreement called for annual payments not to exceed 10% of State Aid and was not renewed past June 30, 2022.

Francis Street Primary School
Notes to Financial Statements

Note 8 – Related Parties

As disclosed in Note 7, the School leased its facilities from Francis Street Schoolhouse, LLC. The School's Chief Academic Officer is a majority member in the LLC.

The School owes on a note payable due to its Chief Academic Officer. Current year payments on the note totaled \$24,000 with \$12,927 applied to principal and the remainder to interest; see Note 6.

Note 9 – Federal and State Grants

The School has received State grants for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowance under terms of the grants, management believes that any required reimbursements would not be material.

Note 10 – Risk Management

The School is exposed to various risks of loss related to property loss, torts, errors, and omissions. The School has purchased commercial insurance for general liability and property/casualty claims. Settled claims relating to the commercial insurance did not exceed the amount of insurance coverage in any of the past three fiscal years.

Note 11 – Subsequent Event

Subsequent to year-end, the School entered into a land contract to purchase the building which it was previously leasing. The purchase amount totals \$405,000 with \$36,000 prepaid. The remaining balance of \$369,000 is to be paid off in monthly payments of \$3,000 with an interest rate of 6%, and a maturity date of July, 2025.

Required Supplementary Information

Francis Street Primary School
 Budgetary Comparison Schedule - General Fund
 Year Ended June 30, 2022

	Budgeted Amounts		Actual
	Original	Final	
Revenues:			
Local sources	\$ 5,000	\$ 3,000	\$ 4,520
State sources	567,770	522,000	564,234
Federal sources	-	28,950	67,938
Total revenues	<u>572,770</u>	<u>553,950</u>	<u>636,692</u>
Expenditures:			
Instruction:			
Basic programs	261,000	283,784	236,216
Added needs	3,000	-	-
Support services:			
General administration	37,233	50,399	69,958
School administration	112,000	135,500	177,129
Business	15,000	12,000	15,790
Operation & maintenance	78,000	88,000	59,303
Technology	3,000	3,000	9,595
Debt service			
Principal	12,000	24,000	19,245
Interest and other charges	-	-	12,667
Capital outlay	3,000	1,000	-
Other	-	-	9,662
Total expenditures	<u>524,233</u>	<u>597,683</u>	<u>609,565</u>
Net Changes in Fund Balance	48,537	(43,733)	27,127
Fund Balance - Beginning of Year	<u>166,865</u>	<u>166,865</u>	<u>166,865</u>
Fund Balance - End of Year	<u>\$ 215,402</u>	<u>\$ 123,132</u>	<u>\$ 193,992</u>



WILLIS & JURASEK
CPAS AND CONSULTANTS

**Independent Auditors' 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***

Board of Directors
Francis Street Primary School
Jackson, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Francis Street Primary School as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Francis Street Primary School's basic financial statements, and have issued our report thereon dated October 15, 2022.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the schedule of findings as 2022-001, 2022-002, and 2022-003 that we consider to be material weaknesses.

Board of Directors
Francis Street Primary School
Jackson, Michigan

Compliance and Other Matters

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

Francis Street Primary School's Response to Findings

Francis Street Primary School's response to the findings identified in our audit is described in the accompanying corrective plan. Francis Street Primary School's response was not subjected to the auditing procedures applied in the audit of 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 result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Willis & Jurasek, P.C.

Willis & Jurasek, P.C.

October 15, 2022

Schedule of Findings

2022-001 – Financial Statement Preparation

Criteria or Specific Requirement: It is management's responsibility to prepare the financial statements in accordance with generally accepted accounting principles (GAAP). The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data, and (2) reporting government-wide and fund financial statements, including the related footnotes.

Condition: As is the case with many smaller and medium-sized entities, the School has relied on its independent external auditors to assist with the preparation of the financial statements and footnotes.

Cause: The School has determined that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary expertise required to perform this task internally.

Effect: The School lacks complete internal control over the preparation of financial statements in accordance with GAAP, and instead has relied on the external auditors for this expertise.

Recommendation: We do not recommend any changes to the situation at this time and communicate this as required by professional standards.

Views of Responsible Officials and Planned Corrective Action: Please see the corrective action plan following.

2022-002 – Material Adjustments

Criteria or Specific Requirement: It is management's responsibility to prepare the financial statements in accordance with generally accepted accounting principles (GAAP) and implement adequate controls over financial reporting.

Condition: During the course of our audit, the auditors proposed material adjustments.

Cause: The School was in its third year of operations and controls in place were not adequate for proper year end cutoff.

Effect: The School's financial statements were materially misstated prior to the recording of the proposed audit adjustments.

Recommendation: We recommend the School review year-end adjustments for proper cut-off procedures related to the recording of liabilities.

Views of Responsible Officials and Planned Corrective Action: Please see the corrective action plan following.

2022-003 – Budget Process

Criteria or Specific Requirement: It is management's responsibility to implement adequate controls over financial reporting including the adherence to a board approved budget to ensure compliance with the Uniform Budgeting and Accounting Act.

Condition: Budget approvals were not performed timely – final amendments were approved post year end. Also, the School overspent the approved budget in several functions for the year ended June 30, 2022.

Cause: Control over the budget process was not implemented to ensure compliance.

Effect: Budget overages were incurred; thus School was out of compliance with State budget regulations.

Recommendation: We recommend the School review actual activity and consider known expenses when preparing budget amendments during the year.

View of Responsible Official: Please see the corrective action plan following.

Francis Street Primary
1320 Martin Luther King Jr. Drive
Jackson, Michigan 49203

Corrective Action Plan

Fiscal Year 2021-2022

Contact Person: Nikki Macchia, Office Manager (517) 879-1380

Finding 2022-001

We are relying upon our auditors to prepare annual financial statements in accordance with U.S. generally accepted accounting principles. We are aware that this is considered a deficiency and believe it is not cost beneficial in our situation to develop this expertise. We will continue to use our external auditors for technical assistance. We would expect this situation to be ongoing in future years.

Finding 2022-002

We are aware that material adjustments were made as a result of audit procedures over year end cutoff. To correct this error going forward, we have implemented a more streamlined approach to recording payables as invoices are received. These procedures will also assist in preventing budget overages per Finding 2022-003.

Finding 2022-003

We are aware of the deficiency whereby the School was out of compliance with the State of Michigan Uniform Budgeting and Accounting Act. The School has put controls in place to ensure compliance with timely amendments to the budget when expenditures are expected to exceed the original budget. Our procedures have been updated to include regular reviews of the budget to actual financial data and subsequently get Board approval for the necessary amendments to stay in compliance including at year end.



WILLIS & JURASEK

CPAS AND CONSULTANTS

October 15, 2022

Board of Directors and Management
Francis Street Primary School
Jackson, Michigan

We have audited the financial statements of the governmental activities and each major fund of Francis Street Primary School for the year ended June 30, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 1, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Francis Street Primary School are described in Note 1 to the financial statements. Accounting policies were adopted and these policies are written for consistent application. We noted no transactions entered into by Francis Street Primary School during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Management's estimate of the capitalized assets and the estimate of related accumulated depreciation is based upon purchase prices and usage. Related depreciation is based upon estimated lives and methods to formulate net book value. We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. Material misstatements detected as a result of audit procedures, corrected by management, included adjusting federal and State revenues, related unearned revenues, and accrued expenditures.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated as per the auditors' report.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

We applied certain limited procedures to the Budgetary Comparison Schedules and related notes which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the use of the Board of Directors and management of Francis Street Primary School and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Willis & Jurasek, P.C.

Willis & Jurasek, P.C.