

HIGHPOINT VIRTUAL ACADEMY OF MICHIGAN

**REPORT ON FINANCIAL STATEMENTS
(with required and additional
supplementary information)**

YEAR ENDED JUNE 30, 2022

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Highpoint Virtual Academy of Michigan

Opinions

We have audited the accompanying financial statements of the governmental activities and the major fund of Highpoint Virtual Academy of Michigan, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Highpoint Virtual Academy of Michigan'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 major fund of Highpoint Virtual Academy of Michigan, as of June 30, 2022, 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.

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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Highpoint Virtual Academy of Michigan 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.

Change in Accounting Principle

As discussed in Note 11 to the financial statements, in 2022 the Academy adopted new accounting guidance, GASB Statement No. 87, *Leases*. Our opinions are not modified with respect to this matter.

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 about Highpoint Virtual Academy of Michigan'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.

Auditor's 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 auditor's 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 Highpoint Virtual Academy of Michigan'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 Highpoint Virtual Academy of Michigan'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 other required supplementary 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 who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Highpoint Virtual Academy of Michigan's basic financial statements. The accompanying additional supplementary information, as identified in the table of contents, including the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 additional supplementary information, including the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2022 on our consideration of Highpoint Virtual Academy of Michigan'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 Highpoint Virtual Academy of Michigan'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 Highpoint Virtual Academy of Michigan's internal control over financial reporting and compliance.

Manes Costeian PC

October 20, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Highpoint Virtual Academy of Michigan's (Academy) annual financial report presents our discussion and analysis of the Academy's financial performance during the fiscal year that ended on June 30, 2022. Please read it in conjunction with the Academy's financial statements, which immediately follow this section.

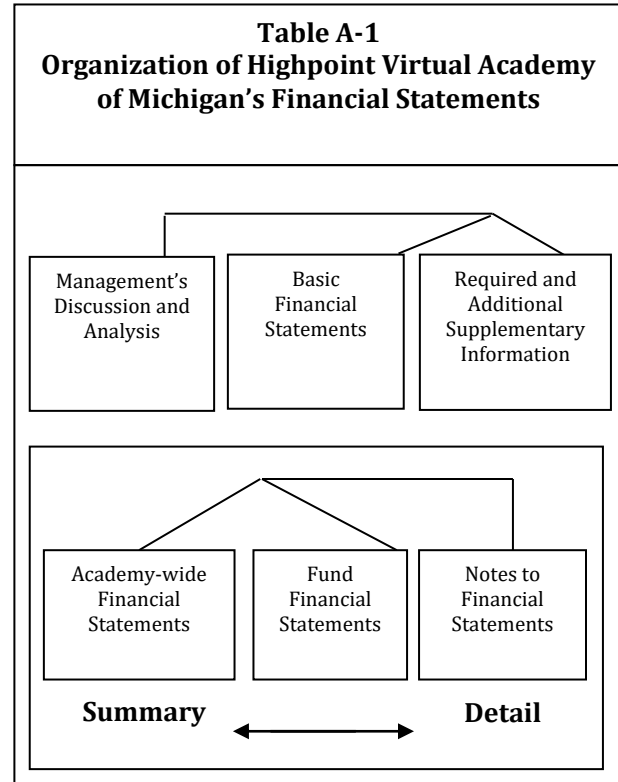
Financial Highlights

- The Academy's fund balance in the general fund increased \$2,357,653 for the period ended June 30, 2022, as compared to a budgeted increase of \$2,155,007.

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 and additional supplementary information. The basic financial statements include two kinds of statements that present different views of the Academy:

- The first two statements are *Academy-wide financial statements* that provide both *short-term* and *long-term* information about the Academy's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the Academy, reporting the Academy's operations *in more detail* than the Academy-wide statements.
- The *governmental funds* statements tell how *basic* services like regular and special education were financed in the *short-term* as well as what remains for future spending.
- The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the Academy's budget for the year. The required supplementary information section is followed by a section of additional supplementary information, which includes the schedule of expenditures of federal awards. Table A-1 shows how the various parts of the annual report are arranged and related to one another.



MANAGEMENT'S DISCUSSION AND ANALYSIS

Table A-2 summarizes the major features of the Academy's financial statements, including the portion of the Academy'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.

| Figure A-2 Major Features of Academy-wide and Fund Financial Statements | | |
|--|--|---|
| | Academy-wide Statements | Governmental Funds |
| Scope | Entire Academy | The activities of the Academy that are not proprietary or fiduciary, such as special education and building maintenance |
| Required financial statements | * Statement of net position * Statement of activities | * Balance sheet * Statement of revenues, expenditures and changes in fund balances |
| Accounting basis and measurement focus | Accrual accounting and economic resources focus | Modified accrual accounting and current financial resources focus |
| Type of asset/liability information | All assets and liabilities, both financial and capital, short-term and long-term | Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included |
| Type of inflow/outflow information | All revenues and expenses during year, regardless of when cash is received or paid | Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable |

Academy-wide Statements

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

- Over time, increases or decreases in the Academy's net position is an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the Academy, you need to consider additional non-financial factors such as changes in the Academy's enrollment, the condition of school buildings and other facilities, and the Academy's ability to be competitive with other public school academies and area school districts.

Governmental activities - The Academy's basic services are included in here, such as regular education and special education and administration. State foundation aid and federal revenue finances most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the Academy's funds, focusing on its more significant or "major" funds - not the Academy as a whole. Funds are accounting devices the Academy uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by state law and by debt agreements.
- The Academy can establish other funds to control and manage money for particular purposes.

All of the Academy's basic services are included in governmental funds which generally focus on (1) how cash and other financial assets 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 Academy's programs. Because this information does not encompass the additional long-term focus of the Academy-wide statements, we provide additional information with the governmental funds statement that explains the relationship (or difference) between them.

Financial Analysis of the Academy as a Whole

Net Position - the Academy's combined net position of \$4,372,711 increased by \$2,354,131 during the year. See Figures A-3 and A-4.

Total revenues increased by 40.3%, or \$7,308,667 to \$25,442,195 primarily due to the 113.8% enrollment increase during the year resulting in an increase in state aid revenue.

The total cost of instruction increased by 36.7%, or \$3,727,660 to \$13,897,175 due to the increase in enrollment at the Academy during the year. Total cost for support services increased by 44.9%, or \$2,810,439 to \$9,075,144.

MANAGEMENT'S DISCUSSION AND ANALYSIS

| Figure A-3 | | |
|--|---------------------|---------------------|
| Highpoint Virtual Academy of Michigan's Summary Statement of Net Position | | |
| | 2022 | 2021* |
| ASSETS | | |
| Current and other | \$ 8,658,362 | \$ 4,626,613 |
| Capital assets | 75,718 | 3,186 |
| TOTAL ASSETS | 8,734,080 | 4,629,799 |
| LIABILITIES | | |
| Current Liabilities | 4,303,762 | 2,611,219 |
| Noncurrent Liabilities | 57,607 | - |
| TOTAL LIABILITIES | 4,361,369 | 2,611,219 |
| NET POSITION | | |
| Net investment in capital assets | (336) | 3,186 |
| Unrestricted | 4,373,047 | 2,015,394 |
| TOTAL NET POSITION | \$ 4,372,711 | \$ 2,018,580 |

| Figure A-4 | | |
|--|---------------------|---------------------|
| Highpoint Virtual Academy of Michigan's Summary Statement of Activities | | |
| | 2022 | 2021* |
| REVENUES | | |
| Program revenues | | |
| Operating grants | \$ 3,143,315 | \$ 1,938,645 |
| General sources | | |
| State sources - unrestricted | 22,298,062 | 16,192,306 |
| Local sources | 818 | 2,577 |
| Total general revenues | 22,298,880 | 16,194,883 |
| TOTAL REVENUES | 25,442,195 | 18,133,528 |
| EXPENSES | | |
| Instruction | 13,897,175 | 10,169,515 |
| Support services | 9,075,144 | 6,264,705 |
| Community service | 92,425 | 24,053 |
| Interest and fees | 1,559 | - |
| Unallocated depreciation/amortization | 21,761 | 4,258 |
| TOTAL EXPENSES | 23,088,064 | 16,462,531 |
| Change in net position | \$ 2,354,131 | \$ 1,670,997 |

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Analysis of the Academy's Funds

The financial operation of the Academy is considered stable. The fund balance at June 30, 2022 is \$4,373,047 in the general fund.

General Fund Budgetary Highlights

Over the course of the year, the Academy revised the general fund annual operating budget when necessary. Changes were made in both revenue and expenditures which reflected anticipated increases in state aid and actual salary figures for staff.

The Academy's final budget for the general fund anticipated revenues would exceed expenditures by \$2,155,007. The actual results for the year showed revenues exceeded expenditures by \$2,357,653.

Actual revenues were \$116,944 more than budgeted, a 0.5% variance. This variance was primarily a result of greater than expected federal revenues.

Actual expenditures were \$8,591 more than budgeted, a 0.04% variance. This was mainly due to greater than expected expenditures in general administration and operation and maintenance.

Capital Assets

By the end of the year ended June 30, 2022, the Academy had invested \$75,718 in capital assets net of accumulated depreciation/amortization. More detailed information about capital assets can be found in Note 4 to the financial statements. Total depreciation/amortization expense for the year was \$21,761.

The Academy's capital assets are as follows:

| Figure A-5 | | | | |
|---|-------------------|--|-------------------|-------------------|
| Highpoint Virtual Academy of Michigan's Capital Assets | | | | |
| | 2022 | | | 2021* |
| | Cost | Accumulated Depreciation/ Amortization | Net Book Value | Net Book Value |
| Equipment | \$ 10,735 | \$ 10,451 | \$ 284 | \$ 2,262 |
| Right to use - leased building | 94,293 | 18,859 | 75,434 | - |
| Furniture and fixtures | 10,555 | 10,555 | - | 924 |
| Total | <u>\$ 115,583</u> | <u>\$ 39,865</u> | <u>\$ 75,718</u> | <u>\$ 3,186</u> |

Long-term Debt

The Academy implemented GASB Statement No. 87, *Leases* which created a long-term obligation for the Academy's building lease. At year end, the Academy had a total long-term obligation of \$76,054. The Academy paid down a portion of its obligation, retiring \$18,239 during the current year. See Note 5 for more information.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Economic Factors Bearing on the Academy's Future

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

- The Academy has adopted a general fund budget for 2022/2023 in which revenues exceed expenditures by \$1,842,696.
- The Academy received an ESSER II allocations of \$1,524,093, and an ESSER III allocation of \$3,422,896. The projected use of funds are to address learning loss, make sure the school can routinely operate in a clean & safe environment, and overcome the impacts of the COVID-19 pandemic.

Contacting the Academy's Financial Management

This financial report is designed to provide our students, parents and creditors with a general overview of the Academy's finances and to demonstrate the Academy's accountability for the money it receives. If you have questions about this report or need additional information, contact the Academy's office at 210 E Mesick Ave, Mesick, MI 49668. Phone (231) 307-4707.

BASIC FINANCIAL STATEMENTS

HIGHPOINT VIRTUAL ACADEMY OF MICHIGAN
STATEMENT OF NET POSITION
JUNE 30, 2022

| | <u>Governmental Activities</u> |
|--|------------------------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 3,734,836 |
| Receivables | |
| Intergovernmental | 4,913,503 |
| Prepays | 10,023 |
| Capital assets, net of accumulated depreciation/amortization | <u>75,718</u> |
| TOTAL ASSETS | <u>8,734,080</u> |
| LIABILITIES | |
| Accounts payable | 2,263,586 |
| Accrued personnel costs and related items | 256,558 |
| Other accrued expenses | 1,259,916 |
| Unearned revenue | 505,255 |
| Noncurrent liabilities | |
| Due within one year | 18,447 |
| Due in more than one year | <u>57,607</u> |
| TOTAL LIABILITIES | <u>4,361,369</u> |
| NET POSITION | |
| Net investment in capital assets | (336) |
| Unrestricted | <u>4,373,047</u> |
| TOTAL NET POSITION | <u><u>\$ 4,372,711</u></u> |

See notes to financial statements.

**HIGHPOINT VIRTUAL ACADEMY OF MICHIGAN
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022**

| Functions/Programs | Expenses | Program Revenues | | Governmental Activities |
|---------------------------------------|----------------------|-------------------------|---------------------|--|
| | | Charges for Services | Operating Grants | Net (Expense) Revenue and Changes in Net Position |
| Governmental activities | | | | |
| Instruction | \$ 13,897,175 | \$ - | \$ 2,035,240 | \$ (11,861,935) |
| Support services | 9,075,144 | - | 1,058,874 | (8,016,270) |
| Community services | 92,425 | - | 49,201 | (43,224) |
| Interest and fees | 1,559 | - | - | (1,559) |
| Unallocated depreciation/amortization | 21,761 | - | - | (21,761) |
| Total governmental activities | <u>\$ 23,088,064</u> | <u>\$ -</u> | <u>\$ 3,143,315</u> | <u>(19,944,749)</u> |
| General revenues | | | | |
| State sources - unrestricted | | | | 22,298,062 |
| Local sources | | | | <u>818</u> |
| Total general revenues | | | | <u>22,298,880</u> |
| CHANGE IN NET POSITION | | | | 2,354,131 |
| Net position, beginning of year | | | | <u>2,018,580</u> |
| Net position, end of year | | | | <u>\$ 4,372,711</u> |

See notes to financial statements.

**HIGHPOINT VIRTUAL ACADEMY OF MICHIGAN
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2022**

| | General Fund |
|---|---------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 3,734,836 |
| Receivables | |
| Intergovernmental | 4,913,503 |
| Prepays | <u>10,023</u> |
| TOTAL ASSETS | <u>\$ 8,658,362</u> |
| LIABILITIES AND FUND BALANCES | |
| LIABILITIES | |
| Accounts payable | \$ 2,263,586 |
| Accrued personnel costs and related items | 256,558 |
| Other accrued expenses | 1,259,916 |
| Unearned revenue | <u>505,255</u> |
| TOTAL LIABILITIES | <u>4,285,315</u> |
| FUND BALANCES | |
| Nonspendable | |
| Prepays | 10,023 |
| Unassigned | <u>4,363,024</u> |
| TOTAL FUND BALANCES | <u>4,373,047</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 8,658,362</u> |
| Total Governmental Fund Balances | <u>\$ 4,373,047</u> |

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

Capital assets used in governmental activities are not financial
resources and are not reported in the funds:

| | | |
|--|-----------------|---------------|
| The cost of the capital assets is | \$ 115,583 | |
| Accumulated depreciation/amortization is | <u>(39,865)</u> | |
| | | <u>75,718</u> |

Long-term liabilities are not due and payable in the current period
and are not reported in the funds:

| | |
|---------------------------------------|-----------------|
| Direct borrowing and direct placement | <u>(76,054)</u> |
|---------------------------------------|-----------------|

| | |
|--|----------------------------|
| Net Position of Governmental Activities | <u><u>\$ 4,372,711</u></u> |
|--|----------------------------|

See notes to financial statements.

HIGHPOINT VIRTUAL ACADEMY OF MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2022

| | General Fund |
|--------------------------------------|----------------------------|
| REVENUES | |
| Local sources | \$ 818 |
| State sources | 23,534,979 |
| Federal sources | <u>1,906,398</u> |
| TOTAL REVENUES | <u>25,442,195</u> |
| EXPENDITURES | |
| Current | |
| Instruction | |
| Basic programs | 11,482,780 |
| Added needs | <u>2,414,395</u> |
| Total instruction | <u>13,897,175</u> |
| Support services | |
| Pupil | 1,742,789 |
| Instructional staff | 722,835 |
| General administration | 4,603,056 |
| School administration | 134,709 |
| Operation and maintenance | 87,833 |
| Central support services | <u>1,783,922</u> |
| Total support services | <u>9,075,144</u> |
| Community service | <u>92,425</u> |
| Capital outlay | <u>94,293</u> |
| Debt service | |
| Principal | 18,239 |
| Interest | <u>1,559</u> |
| Total debt service | <u>19,798</u> |
| TOTAL EXPENDITURES | <u>23,178,835</u> |
| EXCESS OF REVENUES OVER EXPENDITURES | <u>2,263,360</u> |
| OTHER FINANCING SOURCES | |
| Proceeds from lease | <u>94,293</u> |
| NET CHANGE IN FUND BALANCE | 2,357,653 |
| FUND BALANCE | |
| Beginning of year | <u>2,015,394</u> |
| End of year | <u><u>\$ 4,373,047</u></u> |

See notes to financial statements.

**HIGHPOINT VIRTUAL ACADEMY OF MICHIGAN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022**

| | |
|---|---------------------|
| Net Change in Fund Balances Total Governmental Funds | \$ 2,357,653 |
|---|---------------------|

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/amortization.

| | |
|-----------------------------------|----------|
| Depreciation/amortization expense | (21,761) |
| Capital outlay | 94,293 |

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term obligations consumes the current financial resources of governmental funds. Neither transaction, however, has any affect on net position. The effect of these differences is the treatment of long-term obligations and related items and are as follows:

| | |
|--|----------|
| Proceeds from lease | (94,293) |
| Payments on notes from direct borrowing and direct placement | 18,239 |

| | |
|--|----------------------------|
| Change in Net Position of Governmental Activities | <u>\$ 2,354,131</u> |
|--|----------------------------|

HIGHPOINT VIRTUAL ACADEMY OF MICHIGAN NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of 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 nonfiduciary activities of the Academy. The Academy currently does not have fiduciary activities. *Governmental activities* normally are supported by intergovernmental revenues.

Reporting Entity

Highpoint Virtual Academy of Michigan (the "Academy") is a public school academy as part of the Michigan Public School System under Public Act No. 362 of 1993. Mesick Consolidated Schools is the authorizing governing body for the Academy and has contracted with the Academy to charter the public school. Board members are approved by the authorizing governing body and have decision making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. The Academy receives funding from local, state, and federal sources and must comply with all of the requirements of these funding source entities. However, the Academy is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. In addition, the Academy's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board (GASB) Statements.

Basis of Presentation - Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental funds.

As a general rule, the effect of interfund activity (if any) has been eliminated from the government-wide financial statements.

Basis of Presentation - Fund Financial Statements

The fund financial statements provide information about the Academy's funds. The emphasis of fund financial statements is on major governmental funds. The only fund the Academy currently operates, which is also the only major governmental fund of the Academy, is the general fund.

The Academy reports the following *Major Governmental Fund*:

The *General Fund* is the Academy's primary operating fund. It accounts for all financial resources of the Academy, except those required to be accounted for in another fund.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

HIGHPOINT VIRTUAL ACADEMY OF MICHIGAN
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting (continued)

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 expenses. 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.

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Academy considers revenues to be available if they are generally 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, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term obligations and acquisitions under leases are reported as other financing sources.

State and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end).

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a state-wide formula. The foundation is funded from state and local 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 public school academies based on information supplied by the academies. For the current year ended, 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 6 mills on Principal Residence Exemption (PRE) property 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 30 is reported as an intergovernmental receivable.

The Academy 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 governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received and accrued, which are not expended by the close of the fiscal year are recorded as unearned revenue.

All other revenue items are generally considered to be measurable and available only when cash is received by the Academy.

**HIGHPOINT VIRTUAL ACADEMY OF MICHIGAN
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgetary Information

Budgetary Basis of Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund.

The Academy follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. The Head of School submits to the Board of Directors 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.
- b. Prior to July 1, the budget is legally adopted by Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). 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, in the general fund are noted in the required supplementary information section.
- c. Transfers may be made for 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 Board of Directors.
- d. The budget was amended during the year with supplemental appropriations, the last one approved prior to year-end June 30, 2022. The Academy does not consider these amendments to be significant.

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

Cash and Cash Equivalents

The Academy's cash and cash equivalents are considered to be cash on hand and demand deposits.

Investments

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. 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.

State statutes authorize the Academy 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 Academy is also authorized to invest in U.S. district or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

**HIGHPOINT VIRTUAL ACADEMY OF MICHIGAN
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Capital Assets

Capital assets, as summarized below are reported in the government-wide financial statements. Capital assets are defined by the Academy as assets with an initial, individual cost of more than \$2,000 and a useful life in excess of one year. Group purchases are evaluated on a case by case basis. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

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

Land and construction in progress, if any, are not depreciated. Right to use assets of the Academy are amortized using the straight-line method over the shorter of the lease period or the estimated useful lives. The other capital assets of the Academy are depreciated using the straight line method over the following estimated useful lives:

| <u>Capital Asset Classes</u> | <u>Lives</u> |
|--------------------------------|--------------|
| Equipment | 5 |
| Furniture and fixtures | 5 |
| Right to use - leased building | 5 |

Deferred Outflows

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

Deferred Inflows

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

HIGHPOINT VIRTUAL ACADEMY OF MICHIGAN
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

Net Position Flow Assumption

Sometimes the Academy will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Academy's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

Fund Balance Flow Assumptions

Sometimes the Academy will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the Academy's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The Academy itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Academy's highest level of decision-making authority. The Board of Directors is the highest level of decision-making authority for the Academy that can, by adoption of a Board action prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the Board action remains in place until a similar action is taken (the adoption of another Board action) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the Academy for specific purposes but do not meet the criteria to be classified as committed. Intent can be expressed by the Board of Directors or by an official or body to which the Board of Directors delegates authority. The Board of Directors may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Leases

The Academy is a lessee for a noncancelable lease of a building. The Academy recognizes a lease liability and an intangible right-to-use lease asset in the government-wide financial statements. The Academy recognizes lease liabilities with an initial, individual value of \$50,000 or more.

**HIGHPOINT VIRTUAL ACADEMY OF MICHIGAN
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

Leases (continued)

At the commencement of a lease, the Academy initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgements related to leases include how the Academy determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Academy uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Academy generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the Academy is reasonably certain to exercise.

The Academy monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term obligations on the statement of net position.

Revenues and Expenditures/Expenses

Program Revenues

Amounts reported as *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 or segment, and 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or segment. Unrestricted state aid, interest, and other internally dedicated resources are reported as general revenues rather than as program revenues.

NOTE 2 - CASH DEPOSITS - CREDIT RISK

Cash is held in the name of the Academy. These deposits are subject to custodial credit risk. This is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. The Academy minimizes custodial risk on deposits by assessing the credit worthiness of the individual institutions in which it deposits its funds. The amount of deposits with each institution is assessed to determine the level of risk it may pose to the Academy in relation to deposits in excess of insured amounts. As of June 30, 2022, \$3,510,133 of the Academy's bank balance of \$3,760,133 was exposed to custodial credit risk because it was not fully covered by federal depository insurance and was not collateralized.

HIGHPOINT VIRTUAL ACADEMY OF MICHIGAN
NOTES TO FINANCIAL STATEMENTS

NOTE 3 - INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables at June 30, 2022 consist of the following:

| | |
|--------------------|---------------------|
| Governmental units | |
| State sources | \$ 4,342,735 |
| Federal sources | <u>570,768</u> |
| | <u>\$ 4,913,503</u> |

Because of the Academy's favorable collection experience, no allowance for doubtful accounts has been recorded.

NOTE 4 - CAPITAL ASSETS

A summary of changes in the Academy's capital assets follows:

| | Balance July 1, 2021 | Additions | Deletions | Balance June 30, 2022 |
|--|-------------------------|------------------|-------------|--------------------------|
| Governmental activities | | | | |
| Capital assets being depreciated/amortized | | | | |
| Equipment | \$ 10,735 | \$ - | \$ - | \$ 10,735 |
| Right to use - leased building | - | 94,293 | - | 94,293 |
| Furniture and fixtures | <u>10,555</u> | <u>-</u> | <u>-</u> | <u>10,555</u> |
| Total capital assets being depreciated/amortized | <u>21,290</u> | <u>94,293</u> | <u>-</u> | <u>115,583</u> |
| Accumulated depreciation/amortization | | | | |
| Equipment | 8,473 | 1,978 | - | 10,451 |
| Right to use - leased building | - | 18,859 | - | 18,859 |
| Furniture and fixtures | <u>9,631</u> | <u>924</u> | <u>-</u> | <u>10,555</u> |
| Total accumulated depreciation/amortization | <u>18,104</u> | <u>21,761</u> | <u>-</u> | <u>39,865</u> |
| Net capital assets being depreciated/amortized | <u>3,186</u> | <u>72,532</u> | <u>-</u> | <u>75,718</u> |
| Net governmental capital assets | <u>\$ 3,186</u> | <u>\$ 72,532</u> | <u>\$ -</u> | <u>\$ 75,718</u> |

Depreciation/amortization for the fiscal year ended June 30, 2022 amounted to \$21,761. The Academy determined that it was impractical to allocate depreciation/amortization to the various governmental activities as the assets serve multiple functions.

HIGHPOINT VIRTUAL ACADEMY OF MICHIGAN
NOTES TO FINANCIAL STATEMENTS

NOTE 5 - LONG-TERM OBLIGATIONS

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

| | Notes from Direct Borrowing and Direct Placement |
|---------------------------|--|
| Balance, July 1, 2021 | \$ - |
| Additions | 94,293 |
| Repayments | <u>(18,239)</u> |
| Balance, June 30, 2022 | 76,054 |
| Due within one year | <u>18,447</u> |
| Due in more than one year | <u><u>\$ 57,607</u></u> |

Long-term obligations at June 30, 2022 are comprised of the following:

Direct Borrowing and Direct Placement

During the 2022 fiscal year, Highpoint Virtual Academy of Michigan entered into a five-year lease agreement as lessee for the use of a building. An initial lease liability was recorded in the amount of \$94,293 during the current fiscal year. As of June 30, 2022, the value of the lease liability was \$76,054. Highpoint Virtual Academy of Michigan is required to make monthly principal and interest payments of \$1,650. The lease has an implied interest rate of 2%.

\$ 76,054

The Academy's outstanding notes from direct borrowing and direct placement related to governmental activities of \$76,054 contains provisions that in an event of default, either by (1) unable to make principal or interest payments (2) false or misrepresentation is made to the lender (3) become insolvent or make an assignment for the benefit of its creditors (4) if the lender at any time in good faith believes that the prospect of payment of any indebtedness is impaired. Upon the occurrence of any default event, the outstanding amounts, including accrued interest become immediately due and payable.

The annual requirements to amortize long-term obligations outstanding are as follows:

| Year Ending June 30, | Direct Borrowing and Direct Placement | | Total |
|-------------------------|--|------------------------|-------------------------|
| | Principal | Interest | |
| 2023 | \$ 18,447 | \$ 1,353 | \$ 19,800 |
| 2024 | 18,820 | 980 | 19,800 |
| 2025 | 19,200 | 600 | 19,800 |
| 2026 | <u>19,587</u> | <u>213</u> | <u>19,800</u> |
| | <u><u>\$ 76,054</u></u> | <u><u>\$ 3,146</u></u> | <u><u>\$ 79,200</u></u> |

Interest expense (all funds) for the year ended June 30, 2022 was \$1,559.

**HIGHPOINT VIRTUAL ACADEMY OF MICHIGAN
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - OVERSIGHT FEES

The Academy pays an administrative oversight fee of 3% of its state school aid discretionary and Proposal A obligation payments to Mesick Consolidated Schools as set forth by contract, to reimburse the Board for the cost of execution of its oversight responsibilities. These oversight responsibilities include the monitoring of the Academy's compliance with the terms and conditions of the contract, and the review of its audited financial statements and periodic reports. During the year ended June 30, 2022, the Academy incurred an expense of approximately \$719,422 for oversight fees.

NOTE 7 - PURCHASED SERVICES

The Academy leases all employee services from K12 Management, Inc. (K12). Salaries, retirement, social security, health insurance, and unemployment taxes are the responsibility of K12.

The Academy also pays a 15% administrative fee and a 7% technology fee to K12. The agreements are for operational services within the Academy are through June 30, 2026. For the year ended June 30, 2022, Highpoint Virtual Academy of Michigan's administrative fees were \$3,816,207 and technology fees were \$1,780,896.

The total amount due to K12 Management, for all services, at June 30, 2022 was approximately \$3,324,000.

NOTE 8 - RISK MANAGEMENT

The Academy is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. To minimize the risk, the Academy carries commercial insurance.

NOTE 9 - CONTINGENT LIABILITIES

Amounts received or receivable from grant agencies are subject to audit and adjustments by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the Academy expects such amounts, if any, to be immaterial.

NOTE 10 - UPCOMING ACCOUNTING PRONOUNCEMENT

In May 2020, the GASB issued Statement No. 96, Subscription-based Information Technology Arrangements. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. The Academy is currently evaluating the impact this standard will have on the financial statements when adopted during the 2022-2023 fiscal year.

HIGHPOINT VIRTUAL ACADEMY OF MICHIGAN
NOTES TO FINANCIAL STATEMENTS

NOTE 11 - CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2022, the Academy implemented the following new pronouncement: GASB Statement No. 87, *Leases*.

Summary:

Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, was issued by the GASB in June 2017. The objective of this Statement is to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use the underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The adoption of GASB Statement 87 had no impact on beginning balances. During the current year, as a result of the adoption, capital assets and long-term obligations increased by \$94,293 as a result of a building lease agreement entered into during fiscal year 2022.

REQUIRED SUPPLEMENTARY INFORMATION

**HIGHPOINT VIRTUAL ACADEMY OF MICHIGAN
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2022**

| | Original Budget | Final Budget | Actual | Variance with Final Budget |
|---|--------------------|---------------------|---------------------|-------------------------------|
| REVENUES | | | | |
| Local sources | \$ - | \$ 713 | \$ 818 | \$ 105 |
| State sources | 22,768,129 | 23,500,988 | 23,534,979 | 33,991 |
| Federal sources | 1,659,215 | 1,823,550 | 1,906,398 | 82,848 |
| TOTAL REVENUES | 24,427,344 | 25,325,251 | 25,442,195 | 116,944 |
| EXPENDITURES | | | | |
| Current | | | | |
| Instruction | | | | |
| Basic programs | 12,690,842 | 11,500,108 | 11,482,780 | 17,328 |
| Added needs | 2,530,199 | 2,396,049 | 2,414,395 | (18,346) |
| Total instruction | 15,221,041 | 13,896,157 | 13,897,175 | (1,018) |
| Support services | | | | |
| Pupil | 1,949,724 | 1,807,539 | 1,742,789 | 64,750 |
| Instructional staff | 416,220 | 728,119 | 722,835 | 5,284 |
| General administration | 4,420,145 | 4,587,434 | 4,603,056 | (15,622) |
| School administration | 111,418 | 164,898 | 134,709 | 30,189 |
| Operation and maintenance | 121,654 | 115,084 | 87,833 | 27,251 |
| Central support services | 1,709,914 | 1,774,559 | 1,783,922 | (9,363) |
| Total support services | 8,729,075 | 9,177,633 | 9,075,144 | 102,489 |
| Community services | 40,000 | 96,454 | 92,425 | 4,029 |
| Capital outlay | - | - | 94,293 | (94,293) |
| Debt service | | | | |
| Principal | - | - | 18,239 | (18,239) |
| Interest | - | - | 1,559 | (1,559) |
| Total debt service | - | - | 19,798 | (19,798) |
| TOTAL EXPENDITURES | 23,990,116 | 23,170,244 | 23,178,835 | (8,591) |
| EXCESS OF REVENUES OVER EXPENDITURES | 437,228 | 2,155,007 | 2,263,360 | 108,353 |
| OTHER FINANCING SOURCES | | | | |
| Proceeds from lease | - | - | 94,293 | 94,293 |
| NET CHANGE IN FUND BALANCE | \$ 437,228 | \$ 2,155,007 | 2,357,653 | \$ 202,646 |
| FUND BALANCE | | | | |
| Beginning of year | | | 2,015,394 | |
| End of year | | | <u>\$ 4,373,047</u> | |

ADDITIONAL SUPPLEMENTARY INFORMATION

**HIGHPOINT VIRTUAL ACADEMY OF MICHIGAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022**

| Federal Grantor/Pass-through Grantor/ Program Title | Federal Assistance Listing Number | Pass- through Grantor's Number | Approved Grant Award Amount | Accrued (unearned) Revenue 7/1/2021 | (Memo Only) Prior Year Expenditures | Adjustments | Current Year Expenditures | Current Year Cash Receipts | Accrued (unearned) Revenue 6/30/2022 |
|--|--|---|-----------------------------------|--|--|-------------|---------------------------------|----------------------------------|---|
| <u>U.S. Department of Education</u> | | | | | | | | | |
| Passed through Michigan Department of Education | | | | | | | | | |
| Title I Grants to Local Educational Agencies | 84.010 | 221530 | \$ 622,500 | \$ - | \$ - | \$ - | \$ 455,980 | \$ 359,686 | \$ 96,294 |
| Title I Grants to Local Educational Agencies | | 211530 | 456,500 | 138,947 | 307,354 | 2,523 | 100,858 | 242,328 | - |
| Total ALN 84.010 | | | 1,079,000 | 138,947 | 307,354 | 2,523 | 556,838 | 602,014 | 96,294 |
| Supporting Effective Instruction State Grants | 84.367 | 220520 | 50,000 | - | - | - | 43,661 | 41,391 | 2,270 |
| Supporting Effective Instruction State Grants | | 210520 | 29,602 | (5,407) | 43,509 | (10,318) | - | (15,725) | - |
| Total ALN 84.367 | | | 79,602 | (5,407) | 43,509 | (10,318) | 43,661 | 25,666 | 2,270 |
| Student Support and Academic Enrichment | 84.424 | 220750 | 29,229 | - | - | - | 16,714 | 16,485 | 229 |
| Student Support and Academic Enrichment | | 210750 | 25,762 | 5,151 | 13,710 | - | 4,146 | 9,297 | - |
| Total ALN 84.424 | | | 54,991 | 5,151 | 13,710 | - | 20,860 | 25,782 | 229 |
| Education Stabilization Fund | | | | | | | | | |
| COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER I) | 84.425D | 203710 | 262,920 | 162,553 | 162,553 | - | 100,109 | 262,662 | - |
| COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER II Formula Funds) | 84.425D | 213712 | 1,524,093 | - | - | - | 940,057 | 705,365 | 234,692 |
| COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER II Benchmark) | 84.425D | 213762 | 24,450 | - | - | - | 24,450 | - | 24,450 |
| Total ALN 84.425 and Education Stabilization Fund | | | 1,811,463 | 162,553 | 162,553 | - | 1,064,616 | 968,027 | 259,142 |
| Passed through Wexford-Missaukee ISD | | | | | | | | | |
| Special Education Cluster | | | | | | | | | |
| Special Education-Grants to States | 84.027 | 220450-2122 | 228,218 | - | - | - | 228,218 | 15,385 | 212,833 |
| | | 210450-2021 | 164,092 | 44,492 | 164,092 | - | - | 44,492 | - |
| Total ALN 84.027 and Special Education Cluster | | | 392,310 | 44,492 | 164,092 | - | 228,218 | 59,877 | 212,833 |
| Total U.S. Department of Education | | | 3,417,366 | 345,736 | 691,218 | (7,795) | 1,914,193 | 1,681,366 | 570,768 |
| TOTAL FEDERAL AWARDS | | | \$ 3,417,366 | \$ 345,736 | \$ 691,218 | \$ (7,795) | \$ 1,914,193 | \$ 1,681,366 | \$ 570,768 |

The accompanying notes are an integral part of this schedule.

HIGHPOINT VIRTUAL ACADEMY OF MICHIGAN
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Highpoint Virtual Academy of Michigan under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Highpoint Virtual Academy of Michigan, it is not intended to and does not present the financial position or changes in net position of Highpoint Virtual Academy of Michigan.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts (if any) shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available. Highpoint Virtual Academy of Michigan has elected to not use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Management has utilized the NexSys Cash Management System and the Grant Auditor Report in preparing the Schedule of Expenditures of Federal Awards. The Academy does not pass-through federal awards.

NOTE 3 - RECONCILING WITH AUDITED FINANCIAL STATEMENTS

Federal expenditures are reported as revenue in the following fund in the financial statements for the period ending June 30, 2022:

| | |
|--|----------------------------|
| General fund federal revenue reported in the fund financial statements | \$ 1,906,398 |
| Prior year federal revenue reported but recaptured during the current year | 10,318 |
| Prior year federal expenditures incurred but not reported on the Schedule | <u>(2,523)</u> |
| Expenditures per schedule of expenditures of federal awards | <u><u>\$ 1,914,193</u></u> |

NOTE 4 - ADJUSTMENTS

Adjustments were made for ALN #84.010 (\$2,523) and ALN #84.367 (\$10,318) for prior year federal expenditures incurred but not reported on the Schedule and prior year federal revenue reported but recaptured during the current year, respectively,



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**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 the
Highpoint Virtual Academy of Michigan

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of Highpoint Virtual Academy of Michigan as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Highpoint Virtual Academy of Michigan's basic financial statements and have issued our report thereon dated October 20, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Highpoint Virtual Academy of Michigan's internal control over financial reporting (internal control) as a basis for designing 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 Highpoint Virtual Academy of Michigan's internal control. Accordingly, we do not express an opinion on the effectiveness of Highpoint Virtual Academy of Michigan'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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of this Report

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

Manes Costeiran PC

October 20, 2022



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

To the Board of Directors of the
Highpoint Virtual Academy of Michigan

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Highpoint Virtual Academy of Michigan's compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of Highpoint Virtual Academy of Michigan's major federal programs for the year ended June 30, 2022. Highpoint Virtual Academy of Michigan's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Highpoint Virtual Academy of Michigan complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Highpoint Virtual Academy of Michigan and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of Highpoint Virtual Academy of Michigan's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Highpoint Virtual Academy of Michigan's federal programs.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Highpoint Virtual Academy of Michigan's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Highpoint Virtual Academy of Michigan's compliance based on our audit. 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, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Highpoint Virtual Academy of Michigan's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Highpoint Virtual Academy of Michigan's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Highpoint Virtual Academy of Michigan's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Highpoint Virtual Academy of Michigan's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Maney Costeiran PC

October 20, 2022

**HIGHPOINT VIRTUAL ACADEMY OF MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued based on financial statements prepared in accordance with generally accepted accounting principles:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X None
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ Yes X None reported

Noncompliance material to financial statements noted?

_____ Yes X None

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ Yes X None
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ Yes X None reported

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

Unmodified

Any audit findings that are required to be reported in accordance with Title 2 CFR Section 200.516(a)?

_____ Yes X No

Identification of major programs:

| <u>Assistance Listing Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|-------------------------------------|---|
| 84.425 | Education Stabilization Fund |

Dollar threshold used to distinguish between type A and type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

_____ Yes X No

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Question Costs

None

**HIGHPOINT VIRTUAL ACADEMY OF MICHIGAN
SCHEDULE OF PRIOR YEAR FINDINGS
YEAR ENDED JUNE 30, 2022**

There were no audit findings required to be reported on this schedule for the previous year.