

INSIGHT SCHOOL OF MICHIGAN
REPORT ON FINANCIAL STATEMENTS
JUNE 30, 2023

INSIGHT SCHOOL OF MICHIGAN
LANSING, MICHIGAN

ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Insight School of Michigan
Lansing, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, and the major fund, of Insight School of Michigan, Lansing, Michigan as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the 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, and the major fund, of Insight School of Michigan, as of June 30, 2023, 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Insight School 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, 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 Insight School 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 judgement 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 judgement 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 Insight School 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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Insight School 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 required supplementary information, as identified in the table of contents, on pages 4-8 and 21 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2023, on our consideration of Insight School 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 Insight School 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 Insight School of Michigan's internal control over financial reporting and compliance.

UHY LLP

Cadillac, Michigan
October 6, 2023

INSIGHT SCHOOL OF MICHIGAN
LANSING, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2023

This section of Insight School of Michigan (“the School”) annual report presents our discussion and analysis of the School’s financial performance during the year ended June 30, 2023. Please read it in conjunction with the School’s financial statements, which immediately follow this section.

This discussion and analysis is intended to serve as an introduction to the School’s basic financial statements. The School’s financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The report also contains other supplementary information in addition to the basic financial statements themselves.

Overview of the Financial Statements

Government-Wide Financial Statements

The government-wide statements provide short-term and long-term financial information about the School’s overall financial status. These statements are required by generally accepted accounting principles (GAAP) as described in the Government Accounting Standards Board (GASB) Statement No. 34. The school-wide financial statements are compiled using full accrual basis of accounting and more closely represent financial statements presented by business and industry. The Statement of Net Position includes all of the School’s assets and liabilities. All of the year’s revenue and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

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

Over time, increases and decreases in the School’s net position are indicators of whether its financial position is improving or deteriorating, respectively.

In the government-wide financial statements, the School’s activities are all shown in one category titled “Governmental Activities”. These activities, including instruction, supporting services and community activities, are primarily financed with state and federal revenues.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Insight School of Michigan, like other state and local governments, uses fund accounting to ensure compliance with finance-related legal requirements. The only fund of the School is a governmental fund.

Governmental Funds Governmental funds are used to account for essentially the same functions as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in assessing a government’s near-term financing requirements.

INSIGHT SCHOOL OF MICHIGAN
LANSING, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2023

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. As of June 30, 2023, there were no differences between the information presented for governmental funds and governmental activities.

Notes to Financial Statements

The notes provide additional information that is necessary to acquire a full understanding of the data provided in both the government-wide and the fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.

Summary of Net Position

The following schedule summarizes the net position at June 30,

	<u>2023</u>	<u>2022</u>
Assets		
Total Assets	\$ 2,840,484	\$ 2,037,329
Liabilities		
Total Liabilities	<u>1,889,542</u>	<u>1,587,868</u>
Net Position		
Unrestricted	<u>\$ 950,942</u>	<u>\$ 449,461</u>

Analysis of Financial Position

During the fiscal year ended June 30, 2023, the School's net position increased \$501,481. Details of the financial performance for the fiscal year are in the following sections.

INSIGHT SCHOOL OF MICHIGAN
LANSING, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2023

Results of Operations

For the years ended June 30, 2023 and 2022, the results of operations, on a school-wide basis, were:

	2023	2022
Program Revenues		
Operating Grants	\$ 2,717,650	\$ 2,306,028
General Revenues		
State Sources	6,169,152	5,456,828
Other	1,000	30
Total Revenues	8,887,802	7,762,886
Expenses		
Instruction	4,634,724	4,384,820
Supporting Services	3,648,784	3,286,541
Community Activities	102,813	89,404
Total Expenses	8,386,321	7,760,765
Change in Net Position	\$ 501,481	\$ 2,121

Financial Analysis of the Academy's Fund

The financial performance of the School as a whole is also reflected in its governmental fund. The following table shows the change in total fund balance of the School's governmental fund:

	2023	2022	Increase (Decrease)
Major Fund			
General Fund	\$ 950,942	\$ 449,461	\$ 501,481

General Fund – In 2022-2023 the General Fund's fund balance increased by \$501,481, bringing fund balance to \$950,942. Of this amount, \$17,577 is nonspendable for prepaid expenditures, \$503,924 is assigned for a subsequent year budgeted shortfall, and \$429,441 is unassigned. The increase in fund balance is due to the School receiving an increase in federal and state revenues compared to the prior year.

General Fund Budgetary Highlights

The Uniform Accounting and Budgeting Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to its starting on July 1. Any amendments made to the operating budget must be approved by the Board prior to the close of the fiscal year on June 30. For the 2022-

INSIGHT SCHOOL OF MICHIGAN
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MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2023

2023 fiscal year, the School amended the General Fund throughout the year, with the Board adopting the changes as summarized below. The following schedule shows a comparison of the original General Fund budget, the final amended General Fund budget, and actual totals from operations:

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>
Total Revenues	<u>\$ 8,738,211</u>	<u>\$ 8,716,416</u>	<u>\$ 8,887,802</u>
<u>EXPENDITURES</u>			
Instruction	\$ 4,362,191	\$ 4,897,133	\$ 4,634,724
Supporting Services	3,820,227	3,879,215	3,648,784
Community Services	<u>114,599</u>	<u>114,599</u>	<u>102,813</u>
Total Expenditures	<u>\$ 8,297,017</u>	<u>\$ 8,890,947</u>	<u>\$ 8,386,321</u>

The changes from original budget and final budget resulted from funding amounts from various sources and expenditures related to instruction, supporting services, and community services becoming clearer as the year progressed as the School's pupil count numbers were solidified. The variance between budgeted revenues and actual revenues was due to the school receiving more from state and federal sources than what was budgeted for. The variance between budgeted expenditures and actual expenditures was due to the School's conservative spending and coming in under budget in all activities.

Factors Bearing on the School's Future

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

- State aid funding from the State of Michigan represents the majority of the School's revenue. Due to uncertainty from year to year related to state funding, the School continues to monitor current legislature in order to get a better idea of funding levels for the upcoming 2023-2024 school year and beyond. Specific funding for virtual schools like Insight School of Michigan has been scrutinized over the past year and causes even more uncertainty for the largest revenue stream of the School.
- Because per pupil state aid funding is the driving force behind the majority of the School's revenue, student enrollment strongly effects the budget. Enrollment numbers have decreased from their highs, but remain in the mid-low 600's and the School operates efficiently at that number of students.
- The School continues to try and improve its services to keep up with other schools in order to attract students to the School.

INSIGHT SCHOOL OF MICHIGAN
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MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2023

Request for Information

This financial report is designed to provide our citizens, customers, and investors and creditors with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. If you have questions about this report, or need additional financial information, please contact Insight School of Michigan at 526 S Creyts Rd, Suite A, Lansing, Michigan, 48911.

INSIGHT SCHOOL OF MICHIGAN

LANSING, MICHIGAN

STATEMENT OF NET POSITION

JUNE 30, 2023

ASSETS

CURRENT ASSETS

Cash	\$	1,086,908
Due from Other Governments		1,735,999
Prepaid Expenses		<u>17,577</u>

TOTAL ASSETS 2,840,484

LIABILITIES

CURRENT LIABILITIES

Accounts Payable		855,028
Accrued Expenditures		494,670
Unearned Revenue		<u>539,844</u>

TOTAL LIABILITIES 1,889,542

NET POSITION

Unrestricted	\$	<u><u>950,942</u></u>
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The notes to the financial statements are an integral part of this statement.

INSIGHT SCHOOL OF MICHIGAN
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STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2023

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		GOVERNMENTAL ACTIVITIES NET (EXPENSES) REVENUES AND CHANGE IN NET POSITION
		CHARGES FOR SERVICES	OPERATING GRANTS	
<u>GOVERNMENTAL ACTIVITIES</u>				
Instruction	\$ 4,634,724	\$ 0	\$ 1,808,319	\$ (2,826,405)
Supporting Services	3,648,784	0	849,537	(2,799,247)
Community Services	102,813	0	59,794	(43,019)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 8,386,321	\$ 0	\$ 2,717,650	(5,668,671)
 <u>GENERAL REVENUES</u>				
State Sources				6,169,152
Other Revenues				1,000
Total General Revenues				6,170,152
Change in Net Position				501,481
<u>NET POSITION</u> - Beginning of Year				449,461
<u>NET POSITION</u> - End of Year				\$ 950,942

The notes to the financial statements are an integral part of this statement.

INSIGHT SCHOOL OF MICHIGAN
LANSING, MICHIGAN

BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2023

	<u>GENERAL FUND</u>
<u>ASSETS</u>	
Cash	\$ 1,086,908
Due from Other Governments	1,735,999
Prepaid Expenditures	<u>17,577</u>
 TOTAL ASSETS	 <u>\$ 2,840,484</u>
 <u>LIABILITIES AND FUND BALANCES</u>	
<u>LIABILITIES</u>	
Accounts Payable	\$ 855,028
Accrued Expenditures	494,670
Unearned Revenue	<u>539,844</u>
 Total Liabilities	 <u>1,889,542</u>
 <u>FUND BALANCES</u>	
Nonspendable, Prepaid Expenditures	17,577
Assigned for Subsequent Year Shortfall	503,924
Unassigned	<u>429,441</u>
 Total Fund Balance	 <u>950,942</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u>\$ 2,840,484</u>

The notes to the financial statements are an integral part of this statement.

INSIGHT SCHOOL OF MICHIGAN
LANSING, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2023

	<u>GENERAL FUND</u>
<u>REVENUES</u>	
Local Sources	\$ 1,000
State Sources	6,691,754
Federal Sources	2,195,048
	<hr/>
Total Revenues	8,887,802
	<hr/>
<u>EXPENDITURES</u>	
Instruction	
Basic Programs	3,949,737
Added Needs	684,987
Supporting Services	
Pupil	821,963
Instructional Staff	530,780
General Administration	1,525,069
School Administration	44,547
Operation and Maintenance	82,816
Central	643,609
Community Services	
Community Activities	101,734
Welfare Activities	1,079
	<hr/>
Total Expenditures	8,386,321
	<hr/>
Excess (Deficiency) of Revenues Over Expenditures	501,481
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<u>FUND BALANCE</u> - Beginning of Year	449,461
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<u>FUND BALANCE</u> - End of Year	\$ 950,942
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The notes to the financial statements are an integral part of this statement.

INSIGHT SCHOOL OF MICHIGAN
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Insight School of Michigan (“the School”) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government 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.

A. Reporting Entity

Public School Academies were formed pursuant to the Michigan School Code of 1976 as amended by Act 362 of the Public Acts of 1993 and Act Number 416 of the Public Acts of 1994; Act Number 416 became effective March 30, 1995. The School filed Articles of Incorporation as a non-profit corporation March 25, 2013.

The School has an agreement with Central Michigan University to organize and administer the School. The agreement requires the School to act exclusively as a governmental agency and not undertake any action inconsistent with its status as an entity authorized to receive state school aid funds pursuant to the State Constitution. The Central Michigan University’s Board is the fiscal agent for the School and is responsible for overseeing the School’s compliance with the contract and all applicable laws. The School pays Central Michigan University 3 percent of state aid foundation funds as administrative fees.

B. Description of Government-Wide Financial Statements

The government-wide financial statements (i.e., the *Statement of Net Position* and the *Statement of Activities*) report the information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable. The School does not have any business-type activities or component units.

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

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

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the government’s funds. Separate statements for each fund category – governmental funds – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The School reports the following major governmental fund:

The *General Fund* is the School’s primary operating fund. It accounts for all financial resources of the School.

INSIGHT SCHOOL OF MICHIGAN
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

E. 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.

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 timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. 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 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, 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 debt and acquisitions under capital leases are reported as other financing sources.

State and federal aid and interest, if applicable, 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. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue resource (within 60 days of year-end). 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). All other revenue items are considered to be measurable and available only when cash is received by the government.

F. Budgetary Information

1. Budgetary Basis of Accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general and special revenue funds.

The School's approved budgets were adopted at the function level for the General and Special Revenue Funds. These are the legal enacted levels under the State Uniform Budgeting and Accounting Act and the level of budgetary control adopted by the Board (the level at which expenditures may not legally exceed appropriations).

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting - under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation - is utilized in the governmental funds. While

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

all appropriations and encumbrances lapse at year-end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

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

- a) In June, the finance department submits to the school board a proposed operating budget for the fiscal year commencing on July 1.
- b) A public hearing is conducted during June to obtain public comments.
- c) Prior to July 1, the budget is legally adopted by the School Board resolution pursuant to the Uniform Budgeting and Accounting Act. 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 financial 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.
- d) The finance department is charged with general supervision of the budgets and shall hold the department heads responsible for performance of their responsibilities.
- e) For purposes of meeting emergency needs of the School, transfer of appropriations may be made by the authorization of the Board of Education.
- f) During the year the budgets are monitored and amendments to the budget resolution are made when it is deemed necessary.
- g) Budgeted amounts are as originally adopted in June 2022, or as amended by the School Board of Education throughout the year.

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

1. Cash and Cash Equivalents

The School's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. The School considers all highly liquid investments (including certificates of deposit) to be cash equivalents.

2. Investments

In accordance with Michigan Compiled Laws, the School is authorized to invest in the following investment vehicles:

- a) Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b) Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a

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JUNE 30, 2023

member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration (NCUA), but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.

- c) Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
- d) The United States government or federal agency obligations repurchase agreements.
- e) Bankers acceptances of United States banks.
- f) Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Michigan Compiled Laws allow for collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

3. *Inventory and Prepaid Items*

Inventory is valued at cost using the first-in/first-out method. Inventory consists of expendable supplies held for consumption. Inventories are recorded as expenditures when consumed rather than when purchased. The School did not have any inventory as of the end of the fiscal year.

Certain payments made 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.

If applicable, the nonspendable fund balance at the governmental fund level is equal to the amount of inventories and prepaid items at year-end to indicate the portion of the governmental fund balances that are nonspendable.

4. *Unearned Revenue*

Unearned revenue arises when resources are received by the School before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, revenue is recognized. The School has unearned revenue in the General Fund that is related to state and federal grants that have been received but not yet spent as June 30, 2023.

5. *Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources

INSIGHT SCHOOL OF MICHIGAN
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

(expense/expenditure) until then. The School does not have any items that qualify for reporting under this criterion.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. The separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School does not have any items that qualify for reporting under this criterion.

6. Net Position Flow Assumption

Sometimes the School 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 School’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

7. Fund Balance Flow Assumption

Sometimes the School 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 School’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.

8. 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 School 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 School’s highest level of decision-making authority. The governing board is the highest level of decision-making authority for the government that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the School for specific purposes but do not meet the criteria to be classified as committed. The governing board has by resolution authorized the superintendent to assign fund balance. The board 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.

INSIGHT SCHOOL OF MICHIGAN
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

9. Use of Estimates

The process of preparing basic 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.

H. Revenues and Expenditures/Expenses

1. State Revenue

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. 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 Schools based on information supplied by the Schools. For the year ended June 30, 2023, the foundation allowance was based counts taken in October 2022 and February 2022. For fiscal year ended June 30, 2023, the per pupil foundation allowance was \$9,150 for Insight School of Michigan.

The State revenue is recognized during the foundation period and is funded through payments from October 2022 to August 2023. 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 governmental 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.

2. Program Revenues

Amounts reported as program revenue 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 or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, state foundation aid, certain revenue from the Intermediate School District and other unrestricted items are not included as program revenue but instead as *general revenues*.

NOTE 2 - DETAILED NOTES ON ALL FUNDS

A. Deposits with Financial Institutions

As of June 30, 2023, the School had deposits subject to the following risks:

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the School's deposits may not be returned to it. As of June 30, 2023, \$851,943 of the School's bank balance of \$1,101,943 was exposed to custodial credit risk because it was uninsured and uncollateralized. The School's deposits of \$1,086,908 are reported as cash on the financial statements.

INSIGHT SCHOOL OF MICHIGAN
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSOs). Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

Concentration of Credit Risk – The School will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the School's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

Foreign currency risk. The School is not authorized to invest in investments which have this type of risk; therefore, it is not addressed in the investment policy.

B. Receivables

The School reports \$1,735,999 as due from other governments at June 30, 2023. The amount due from other governments is made up of state aid and federal revenues due from the State of Michigan.

NOTE 3 - OTHER INFORMATION

A. Risk Management

The School is exposed to various risks of loss related to property loss, torts, errors and omissions. The School continues to carry commercial insurance for various risks of loss, including general liability, property and casualty, and accident insurance. The School has had no settled claims resulting from these risks that exceeded its commercial coverage in any of the past three fiscal years.

B. Oversight Fees

The School pays an administrative oversight fee of 3 percent of its unrestricted state school aid to Central Michigan University as set forth by contract, to reimburse the Board of Education for the cost of execution of its oversight responsibilities. These oversight responsibilities include the monitoring of the School'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, 2023, the School incurred \$175,862 of expenses for oversight fees.

INSIGHT SCHOOL OF MICHIGAN
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

C. Contracted Services/Related Party Transaction

The School has a contract in place with K12 Management, Inc. (K12) to provide teaching, administrative and various other services for the School. Payments for such services were made to K12 throughout the year as the School incurred these expenses.

The School also pays an administrative services fee of 15 percent of its program revenues to K12 Management Inc., as set forth by contract. The amount paid to K12 for administrative services during the fiscal year was \$1,333,170. Additionally, the School pays 7 percent of its program revenues to K12 Management Inc. for technology services provided to the School. The amount paid to K12 for technology services during the fiscal year was \$622,146.

D. Commitments and Contingencies

Under the terms of various federal and state grants and regulatory requirements, periodic audits are required, and certain cost may be questioned as not being appropriate expenditures under the terms of the grants and requirements. Such audits could lead to reimbursement of the grantor or regulatory agencies. However, management does not believe such disallowances, if any, would be material to the financial position of the school.

Under the terms of the School's agreement with K12 Management, Inc. (K12), the School may be required to remit additional payments to K12 in subsequent years, depending on the financial performance of the School. These payments would be deemed a recovery of balanced budget credits issued in the past. To date, K12 has not requested reimbursement of any previously issued balanced budget credits.

E. GASB Statement No. 96, *Subscription-based Information Technology Arrangements*

For the year ended June 30, 2023, the District implemented the following new pronouncement: GASB Statement No. 96, *Subscription-based Information Technology Arrangements*. There was no material impact on the District's financial statements after the adoption of GASB Statement 96.

INSIGHT SCHOOL OF MICHIGAN

LANSING, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

YEAR ENDED JUNE 30, 2023

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL AMOUNTS BUDGETARY BASIS
<u>REVENUES</u>			
Local Sources	\$ 30	\$ 1,091	\$ 1,000
State Sources	6,772,908	6,690,462	6,691,754
Federal Sources	1,965,273	2,024,863	2,195,048
Total Revenues	<u>8,738,211</u>	<u>8,716,416</u>	<u>8,887,802</u>
<u>EXPENDITURES</u>			
Instruction			
Basic Programs	3,534,535	4,069,477	3,949,737
Added Needs	827,656	827,656	684,987
Supporting Services			
Pupil	868,729	891,264	821,963
Instructional Staff	608,750	608,750	530,780
General Administration	1,513,721	1,541,623	1,525,069
School Administration	101,253	101,253	44,547
Operation and Maintenance	81,966	90,517	82,816
Central	645,808	645,808	643,609
Community Services			
Community Activities	102,591	102,591	101,734
Welfare Activities	12,008	12,008	1,079
Total Expenditures	<u>8,297,017</u>	<u>8,890,947</u>	<u>8,386,321</u>
Excess (Deficiency) of Revenues Over Expenditures	441,194	(174,531)	501,481
<u>FUND BALANCE</u> - Beginning of Year	<u>399,640</u>	<u>399,640</u>	<u>449,461</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 840,834</u>	<u>\$ 225,109</u>	<u>\$ 950,942</u>

