Summit Academy

Financial Statements

June 30, 2018

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Summit Academy
Members of the Board of Directors and Administration
June 30, 2018

Members of the Board of Directors

Deborah Duyck	President
Alex Garnepudi	Vice President - Secretary
Kari Pardoe	Treasurer
Dr. David Edwards	Trustee

Administration

Charles Chalfant	Principal
Leann Hedke	Superintendent

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Independent Auditors' Report

Management and the Board of Directors
Summit Academy
Flat Rock, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Summit Academy, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Summit Academy, as of June 30, 2018, 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.

Adoption of New Accounting Standards

As described in Note 1 to the financial statements, during the year ended June 30, 2018, the Academy adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* Our opinions are not modified with respect to this matter.

Other Matters:

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2018 on our consideration of Summit Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 the on effectiveness of Summit Academy'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 Summit Academy's internal control over financial reporting and compliance.

Yeo & Yeo, P.C.

Flint, Michigan
September 21, 2018

YEO & YEO

MANAGEMENT’S DISCUSSION AND ANALYSIS

Summit Academy is a K-8 Public School Academy located in Flat Rock, Michigan. This Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Summit Academy administration's discussion and analysis of the financial results for the fiscal year ended June 30, 2018.

OVERVIEW OF THE FINANCIAL STATEMENTS

U.S. generally accepted accounting principles (GAAP) according to GASB 34 requires the reporting of two types of financial statements: Academy-wide Financial Statements and Fund Financial Statements.

Fund Financial Statements:

For the most part, the fund financial statements are comparable to general purpose financial statements. The primary difference is that the Account Groups: General Fixed Assets and General Long-Term Debt are no longer reported. The fund level statements are reported on a modified accrual basis. Only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual." In the State of Michigan, the Academy's major instruction and instructional support activities are reported in the General Fund. Additional governmental activities are reported in their relevant Special Revenue Funds.

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

Academy-wide Financial Statements:

The Academy-wide financial statements are maintained using the "full accrual" basis. They report all of the Academy's assets and liabilities, both short and long term, regardless if they are "currently available" or not. For example, assets that are restricted for use in the Debt Funds solely for the payment of long term principal or interest are grouped with unrestricted assets of the General Fund. Capital assets and long-term obligations of the Academy are reported in the Statement of Net Assets of the Academy-wide financial statements.

FINANCIAL ANALYSIS OF THE ACADEMY AS A WHOLE

Summary of Net Assets:
The following summarizes the net position at fiscal year ended June 30, 2018:

	2018
Assets	
Current Assets	$ 1,950,977
Capital Assets	5,792,605
Less: Accumulated Depreciation	(3,259,359)
Capital Assets, Net Book Value	2,533,246
Total Assets	4,484,223
Deferred Pension Expense	15,832
Deferred OPEB Expense	1,668
Total Defered Outflows of Resources	17,500
Total Assets & Deferred Outlows of Resources	$ 4,501,723
Liabilities	
Current Liabilities	$ 479,953
Long-term Liabilities	5,654,869
Total Liabilities	6,134,822
Deferred Net Pension Liability	63,923
Deferred Net OPEB Liability	991
Total Defered Inflows of Resources	64,914
Total Liablities & Deferred Inflows of Resources	$ 6,199,736
Net Position	
Invested in Capital Assets, Net of Related Debt (Deficit)	$ 433,104
Restricted for Food Service	1,397
Restricted for Debt Service and Capital Projects	474,781
Unrestricted	(2,607,295)
Total Net Position	$ (1,698,013)

FINANCIAL ANALYSIS OF THE ACADEMY'S FUNDS

During the fiscal year ended June 30, 2018, the Academy's net assets increased by $162,602 from operations. During 2017-18, The Academy implemented GASB 75 for which we are now showing a liability on the statement of net position for the Academy's portion of unfunded OPEB liability in the State pension system. As the Academy only has one direct employee, this is the only employee active in the system. The most significant difference between prior year and current year is the increase in instruction and instructional services and the decrease in State Aid due to declining enrollment. Additional factors affecting the change in net assets during the year are discussed below:

A. Results of Operations:

For the fiscal year ended June 30, 2018, the Academy wide results of operations were:

	2018	
	Amount	% of Total
General Revenue:		
State of Michigan Aid - All Sources	$ 2,593,532	76.50%
Other	49,345	1.46%
Total General Revenue	2,642,877	77.96%
Program Revenue:		
Charges for Services	112,170	3.31%
Operating Grants - Federal and State	635,180	18.74%
Total Program Revenue	747,350	22.04%
Total Revenue	3,390,227	100.00%
Expenses:		
Instruction and Instructional Services	1,322,112	40.96%
Support Services	1,412,686	43.77%
Food Service	156,162	4.84%
Community Services	2,344	0.07%
Interest on Long-term Debt	334,321	10.36%
Total Expenses	3,227,625	100.00%
Increase (Decrease) in Net Position	$ 162,602	

B. State of Michigan Aid, Unrestricted

The State of Michigan aid, unrestricted is determined by the following variables:

- Per Student, Foundation Allowance: Annually, the State of Michigan sets the per student foundation allowance. The Summit Academy foundation allowance was $7,631.
- Student Enrollment: The Academy's student enrollment for the fall count of 2017-18 was 340.11 students. To calculate total state aid to be provided by the foundation allowance, Section 25 adjustments continued, where the funding follows the student. This means adjustments were made to the current year fall count until the current year winter count to get the adjusted fall count.

Subsequent to year end June 30, 2018, preliminary student enrollments for 2018 - 2019 indicate that the 2018 fall student enrollment may be less than 2017-18 levels.

C. General Fund Budgetary Highlights

General Fund Operations

The Academy's expenditures from General Fund operations exceeded revenues by $52,968 for the fiscal year ended June 30, 2018. The Academy continues to budget in order to positively impact the future of the youth in the Flat Rock and surrounding communities.

Final Budget vs. Actual

Fiscal Year	Final Budget	Final Actual
Revenues		
2014-2015	$ 4,031,106	$ 3,967,942
2015-2016	$ 3,821,390	$ 3,813,693
2016-2017	$ 3,300,325	$ 3,243,491
2017-2018	$ 3,261,260	$ 3,223,780
Expenditures		
2014-2015	$ 4,007,565	$ 3,914,462
2015-2016	$ 3,636,863	$ 3,518,672
2016-2017	$ 3,300,061	$ 3,202,182
2017-2018	$ 3,416,569	$ 3,264,763

Original vs. Final Budget

The Uniform Budget Act of the State of Michigan requires that the local Board of Directors approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year.

As a matter of practice, Summit Academy amends its budget periodically as needed during the school year. For the fiscal year 2017-18, the budget was amended in November 2017 and June 2018. The June 2018 budget amendment was the final budget for the fiscal year. The Summit Academy Board does not budget for expenditures covered by grants or for the grant revenue until an award is received.

Change from Original to Final General Fund Budget

Revenues:

Total Revenues Original Budget	$ 3,152,803
Total Revenues Final Budget	3,261,260
Increase in Budgeted Revenues	$ 108,457

The Academy's final general fund revenues were less than the final budget by $37,480 a variance of 1.15%. This variance was primarily a result of unspent federal grant allocations awarded to the Academy. Those allocations will be spent during the next fiscal year.

The following are the significant changes in revenues from the original budget:

- Adjustment to actual grant allocations as estimates were used in the original budget.
- Increase in State Aid Foundation allowance due to increased enrollment from original estimate.

Change from Original to Final General Fund Budget Continued

Expenditures:

The Academy's budget for expenditures changed as follows during the year:

Total Expenditures Original Budget	$ 3,138,314
Total Expenditures Final Budget	3,416,569
Increase in Budgeted Expenditures	$ 278,255

The Academy's actual expenditures were less than final budget by $151,806 a variance of 4.44%. These savings were a result of the Academy's ability to control their spending.

The following are the significant changes in expenditures from the original budget:

- Adjustment to actual state and federal grant allocations expenditures as estimates were used in the original budget.
- Adjustment was made to update budgeted line-item for purchased services due to actual costs.

CAPITAL ASSETS AND DEBT ADMINISTRATION

A. Capital Assets

The Academy's capital assets increased by $190,411 during the fiscal year. This can be summarized as follows:

	Beginning Balance 6/30/16	Additions	Disposals	Ending Balance 6/30/17
Non-Depreciable Captial Assets	$ 46,401	$ -	$ -	$ 46,401
Depreciable Capital Assets	5,555,793	190,411	-	5,746,204
Less: Accumulated Depreciation	(3,075,784)	(183,575)	-	(3,259,359)
Capital Assets	$ 2,526,410	$ 6,836	$ -	$ 2,533,246

B. Depreciation Expense

GASB 34 requires Public School Academies to maintain a record of annual depreciation expense and accumulated depreciation. The net increase in accumulated depreciation expense is a reduction in net assets in the entity wide financial statements. Depreciation is not recognized in the fund financial statements and has been noted as a reconciling item in the Academy's financial statements.

For fiscal year ended June 30, 2018, the net increase in accumulated depreciation was $183,575.

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of assets. In accordance with U.S. generally accepted accounting principles (GAAP), depreciation expense is recorded based on the original cost of the asset, less an estimated salvage value.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Preliminary Budget for the 2018-19 Fiscal Year was adopted by the Board of Directors in June 2018. Few definite factors were known as the budget was being drafted, and others were unknown and needed to be projected with management's best estimates based on perceived interest from the community. Some key factors and estimates used in the 2018-19 budget preparation process include:

- The State Aid foundation increase was unknown so the prior year amount was used with an estimated $120 per student increase.
- Enrollment projections of 280 students in grades K-8;
- Continued improvement of academic achievement through changes in academic programs.

Since the Academy's revenue is heavily dependent on State funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to School Districts and Public School Academies. The State periodically holds revenue-estimating conferences to estimate what the State's available resources will be throughout the remainder of its fiscal year. In spite of the current economic uncertainties we remain cautiously confident that the State will find the resources to sufficiently fund current appropriations.

CONTACTING THE ACADEMY'S MANAGEMENT

This financial report is designed to provide our citizens and taxpayers with a general overview of the Academy's finances. If you have questions about this report or need additional information, contact the Administration Office, Summit Academy, 30100 Olmstead, Flat Rock, Michigan 48134.

BASIC FINANCIAL STATEMENTS

Summit Academy
Statement of Net Position
June 30, 2018

	Governmental Activities
Assets	
Cash	$ 623,408
Accounts receivable	33,228
Due from other governmental units	664,830
Investments	594,553
Prepaid items	34,958
Capital assets not being depreciated	46,401
Capital assets - net of accumulated depreciation	2,486,845
Total assets	4,484,223
Deferred Outflows of Resources	
Deferred amount relating to the net pension liability	15,832
Deferred amount relating to the net OPEB liability	1,668
Total deferred outflows of resources	17,500
Total assets and deferred outflows of resources	4,501,723

See Accompanying Notes to the Financial Statements

Summit Academy
Statement of Net Position
June 30, 2018

	Governmental Activities
Liabilities	
Accounts payable	$ 59,419
State aid anticipation note payable	315,143
Accrued expenditures	93,291
Unearned revenue	12,100
Long-term liabilities	
Net pension liability	82,231
Net OPEB liability	27,638
Due within one year	180,000
Due in more than one year	5,365,000
Total liabilities	6,134,822
Deferred Inflows of Resources	
Deferred amount relating to the net pension liability	63,923
Deferred amount relating to the net OPEB liability	991
Total deferred inflows of resources	64,914
Total liabilities and deferred inflows of resources	6,199,736
Net Position	
Net investment in capital assets	433,104
Restricted for	
Debt service	474,781
Food service	1,397
Unrestricted (deficit)	(2,607,295)
Total net position	$ (1,698,013)

See Accompanying Notes to the Financial Statements

Summit Academy
Statement of Activities
For the Year Ended June 30, 2018

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Functions/Programs				
Governmental activities				
Instruction	$ 1,322,112	$ 93,009	$ 441,789	$ (787,314)
Supporting services	1,412,686	-	77,963	(1,334,723)
Food services	156,162	19,161	115,428	(21,573)
Community services	2,344	-	-	(2,344)
Interest on long-term debt	334,321	-	-	(334,321)
Total governmental activities	$ 3,227,625	$ 112,170	$ 635,180	(2,480,275)
General revenues				
State aid - unrestricted				2,593,532
Interest and investment earnings				1,717
Other				17,009
Extraordinary item, insurance recoveries				30,619
Total general revenues and extraordinary item				2,642,877
Change in net position				162,602
Net position - beginning, as restated				(1,860,615)
Net position - ending				$ (1,698,013)

Summit Academy
Governmental Funds
Balance Sheet
June 30, 2018

	Major Fund				
	General Fund	Debt Service Fund	Capital Projects Fund	Food Service Fund	Total Governmental Funds
Assets					
Cash	$ 532,247	$ -	$ -	$ 91,161	$ 623,408
Accounts receivable	33,228	-	-	-	33,228
Due from other funds	89,764	-	-	-	89,764
Due from other governmental units	664,830	-	-	-	664,830
Investments	-	533,381	61,172	-	594,553
Prepaid items	34,958	-	-	-	34,958
Total assets	$ 1,355,027	$ 533,381	$ 61,172	$ 91,161	$ 2,040,741
Liabilities					
Accounts payable	$ 59,419	$ -	$ -	$ -	$ 59,419
State aid anticipation note payable	315,143	-	-	-	315,143
Due to other funds	-	-	-	89,764	89,764
Due to agency fund activities	-	-	-	-	-
Accrued expenditures	34,691	-	-	-	34,691
Unearned revenue	42,719	-	-	-	42,719
Total liabilities	451,972	-	-	89,764	541,736
Fund Balance					
Non-spendable					
Prepaid items	34,958	-	-	-	34,958
Restricted for:					
Debt service	-	533,381	-	-	533,381
Food service	-	-	-	1,397	1,397
Unassigned	868,097	-	61,172	-	929,269
Total fund balance	903,055	533,381	61,172	1,397	1,499,005
Total liabilities and fund balance	$ 1,355,027	$ 533,381	$ 61,172	$ 91,161	$ 2,040,741

See Accompanying Notes to the Financial Statements

Summit Academy
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2018

Total fund balances for governmental funds	$	1,499,005
Total net position for governmental activities in the statement of net position is different because		
Certain receivables are not available to pay for current period expenditures and, therefore, are unavailable in the funds.		
Insurance recoveries		30,619
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Capital assets not being depreciated		46,401
Capital assets - net of accumulated depreciation		2,486,845
Deferred outflows (inflows) of resources		
Deferred outflows of resources resulting from the net pension liability		15,832
Deferred inflows of resources resulting from net pension liability		(63,923)
Deferred outflows of resources resulting from the net OPEB liability		1,668
Deferred inflows of resources resulting from net OPEB liability		(991)
Certain liabilities are not due and payable in the current period and are not reported in the funds.		
Accrued interest		(58,600)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.		
Net pension liability		(82,231)
Net OPEB liability		(27,638)
Bonds payable		(5,545,000)
Net position of governmental activities	$	(1,698,013)

See Accompanying Notes to the Financial Statements

Summit Academy
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2018

	Major Funds				
	General Fund	Debt Service Fund	Capital Projects Fund	Food Service Fund	Total Governmental Funds
Revenues					
Local sources	$ 93,487	$ 1,111	$ 128	$ 19,161	$ 113,887
State sources	2,854,121	-	-	2,719	2,856,840
Federal sources	244,845	-	-	112,709	357,554
Interdistrict sources	31,327	-	-	-	31,327
Total revenues	3,223,780	1,111	128	134,589	3,359,608
Expenditures					
Current					
Education					
Instruction	1,430,407	-	-	-	1,430,407
Supporting services	1,335,991	-	-	-	1,335,991
Food services	-	-	-	147,685	147,685
Community services	2,344	-	-	-	2,344
Debt service					
Principal	160,000	-	-	-	160,000
Interest and other expenditures	336,021	-	-	-	336,021
Total expenditures	3,264,763	-	-	147,685	3,412,448
Excess (deficiency) of revenues over expenditures	(40,983)	1,111	128	(13,096)	(52,840)

Summit Academy
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2018

	Major Funds				
	General Fund	Debt Service Fund	Capital Projects Fund	Food Service Fund	Total Governmental Funds
Other Financing Sources (Uses)					
Transfers in	$ 1,111	$ -	$ -	$ 13,096	$ 14,207
Transfers out	(13,096)	(1,111)	-	-	(14,207)
Total other financing sources (uses)	(11,985)	(1,111)	-	13,096	-
Net change in fund balance	(52,968)	-	128	-	(52,840)
Fund balance - beginning	956,023	533,381	61,044	1,397	1,551,845
Fund balance - ending	$ 903,055	$ 533,381	$ 61,172	$ 1,397	$ 1,499,005

Summit Academy
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2018

Net change in fund balances - Total governmental funds	$ (52,840)
Total change in net position reported for governmental activities in the statement of activities is different because	
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	
Insurance recoveries	30,619
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation expense	(183,575)
Capital outlay	190,411
Expenses are recorded when incurred in the statement of activities.	
Interest	1,700
The statement of net position reports the net pension liability and deferred outflows of resources and deferred inflows related to the net pension liability and pension expense. However, the amount recorded on the governmental funds equals actual pension contributions.	
Net change in net pension liability	15,438
Net change in the deferred inflow of resources related to the net pension liability	1,311
The statement of net position reports the net OPEB liability and deferred outflows of resources and deferred inflows related to the net OPEB liability and OPEB expense. However, the amount recorded on the governmental funds equals actual OPEB contributions.	
Net change in net OPEB liability	277
Net change in the deferred inflow of resources related to the net OPEB liability	(739)
Bond and note proceeds and capital leases are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are recorded as liabilities and amortized in the statement of activities. When debt refunding occurs, the difference in the carrying value of the refunding debt and the amount applied to the new debt is reported the same as regular debt proceeds or repayments, as a financing source or expenditure in the governmental funds. However, in the statement of net position, debt refunding may result in deferred inflows of resources or deferred outflows of resources, which are then amortized in the statement of activities.	
Repayments of long-term debt	160,000
Change in net position of governmental activities	$ 162,602

Summit Academy
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2018

	Agency Funds
Assets	
Cash	$ 7,768
Liabilities	
Due to agency fund activities	$ 7,768

See Accompanying Notes to the Financial Statements

Note 1 - Summary of Significant Accounting Policies

The accounting policies of Summit Academy conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the Academy's significant accounting policies:

Reporting Entity

The Academy was formed as a charter school academy pursuant to the Michigan School Code of 1976, as amended by Act No. 362 of the Public Acts of 1993 and Act No. 416 of the Public Acts of 1994.

The Academy has a contract with Central Michigan University to charter a public school academy. The contract requires the Academy to act exclusively as a governmental agency and not undertake any action inconsistent with its status as an entity authorized to receive state aid funds pursuant to the state constitution. The charter is the fiscal agent for the Academy and is responsible for overseeing the Academy's compliance with the contract and all applicable laws. The Academy pays three percent of state aid foundation as administrative fees. The total administrative fee paid during 2017 was $ 77,035.

The Academy is governed by an appointed Board of Directors. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School's reporting entity, and which organizations are legally separate component units of the Academy. The Academy has no component units.

Academy-wide Financial Statements

The Academy's basic financial statements include both academy-wide (reporting for the academy as a whole) and fund financial statements (reporting the Academy's major funds). The academy–wide financial statements categorize all nonfiduciary activities as either governmental or business type. All of the Academy's activities are classified as governmental activities.

The statement of net position presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The Academy's net position is reported in three parts (1) net investment in capital assets, (2) restricted net position, and (3) unrestricted net position.

The statement of activities reports both the gross and net cost of each of the Academy's functions. The functions are also supported by general government revenues (certain intergovernmental revenues). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (state sources and federal sources, interest income, etc.). The Academy does not allocate indirect costs. In creating the financial statements the Academy has eliminated interfund transactions.

The Academy-wide focus is on the sustainability of the Academy as an entity and the change in the Academy's net position resulting from current year activities.

Fund Financial Statements

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the academy-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Academy 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.

Unrestricted state aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

The Academy reports the following major governmental funds:

General Fund – The General Fund is used to record the general operations of the Academy pertaining to education and those operations not required to be provided for in other funds.

Debt Service Fund – The Debt Service Fund is used to record interest, and other revenue and the payment of interest, principal, and other expenditures on long-term debt.

Special Revenue Fund – Special Revenue Fund is used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The Academy's special revenue fund is Food Service Fund. Operating deficits generated by these activities are generally covered by a transfer from the General Fund.

Capital Projects Fund – The Capital Projects Fund is used to account for the proceeds of debt and related expenditures.

Additionally, the Academy reports the following fund types:

Fiduciary Funds – Fiduciary Funds are used to account for assets held by the Academy in a trustee capacity or as an agent. The Agency Fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations. This fund is used to record the transactions of student groups for school and school-related purposes.

Assets, Liabilities and Net Position or Equity

Receivables and Payables – Generally, outstanding amounts owed between funds are classified as "due from/to other funds". These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

All trade receivables are shown net of an allowance for uncollectible amounts. The Academy considers all accounts receivable to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

Prepaid Items – Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both Academy-wide and fund financial statements.

Capital Assets – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their acquisition value at the date of donation. The Academy defines capital assets as assets with an initial individual cost in excess of $5,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The Academy does not have infrastructure assets. Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	20-50 years
Equipment and furniture	3-10 years

Deferred Outflows of Resources – A deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period. Deferred amounts on bond refundings are included in the district-wide financials statements. The amounts represent the difference between the reacquisition price and the net carrying amount of the prior debt. For district-wide financial statements, the Academy reports deferred outflows of resources as a result of pension and OPEB plan earnings. This amount is the result of a difference between what the plan expected to earn from plan investments and what is actually earned. This amount will be amortized over the next four years and included in pension and OPEB expense. Changes in assumptions relating to the net pension and OPEB liabilities are deferred and amortized over the expected remaining services lives of the employees and retirees in the plans. The Academy also reported deferred outflows of resources for pension and OPEB contributions made after the measurement date. This amount will reduce the net pension and OPEB liabilities in the following year.

Long-term Obligations – In the academy-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period.

In the Academy's fund financial statements, the face amount of the debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts are reported as other financing uses.

Deferred Inflows of Resources – A deferred inflow of resources is an acquisition of net position by the government that is applicable to a future reporting period. For governmental funds this includes unavailable revenue in connection with receivables for revenues that are not considered available to liquidate liabilities of the current period. Deferred amounts on bond refundings are included in the district-wide financials statements. The amounts represent the difference between the reacquisition price and the net carrying amount of the prior debt. For district-wide financial statements, the Academy reports deferred inflows of resources as a result of pension and OPEB plan earnings. This amount is the result of a difference between what the plan expected to earn from the plan investments and what the plan actually earned. This amount will be amortized over the next four years and included in pension and OPEB expense. Changes in assumptions relating to the net pension and OPEB liabilities are deferred and amortized over the expected remaining services lives of the employees and retirees in the plans. Deferred inflows of resources also includes revenue received relating to the amounts included in the deferred outflows for payments related to MPSERS Unfunded Actuarial Accrued Liabilities (UAAL) Stabilization defined benefit pension statutorily required contributions.

Pension – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Michigan Public School Employees Retirement System (MPSERS) and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Postemployment Benefits Other Than Pensions – For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Michigan Public School Employees Retirement System (MPSERS) and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Fund Equity – In the fund financial statements, governmental funds report fund balance in the following categories:

Non-spendable - amounts that are not available in a spendable form.

Restricted – amounts that are legally imposed or otherwise required by external parties to be used for a specific purpose.

Committed – amounts that have been formally set aside by the Board of Directors for specific purposes. A fund balance commitment may be established, modified, or rescinded by a resolution of the Board of Directors.

Assigned – amounts intended to be used for specific purposes, as determined by the Board of Directors. Residual amounts in governmental funds other than the General Fund are automatically assigned by their nature.

Unassigned – all other resources; the remaining fund balances after non-spendable, restrictions, commitments and assignments.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Academy's policy is to consider restricted funds spent first.

When an expenditure is incurred for purposes for which committed, assigned, or unassigned amounts could be used, the Academy's policy is to consider the funds to be spent in the following order: (1) committed, (2) assigned, (3) unassigned.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, as well as deferred inflows and deferred outflows of resources at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

Eliminations and Reclassifications

In the process of aggregating data for the statement of net position and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

Adoption of New Accounting Standards

As described in Note 1 to the financial statements, during the year ended June 30, 2018, the School District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* Our opinions are not modified with respect to this matter.

Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined OPEB plans, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee services. It also requires additional note disclosures and required supplementary information. Statement No. 75 is effective for the fiscal year ending June 30, 2018.

Statement No. 85, *Omnibus 2017* addresses practice issues that were identified during implementation and application of certain GASB Statements. This statement covers issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits), which is effective for the fiscal year ending June 30, 2018.

Statement No. 86, *Certain Debt Extinguishment Issues* is to improve consistency in accounting and financial reporting for in-substance defeasance of debt. The statement provides uniform guidance for derecognizing debt that is defeased in substance, regardless of how cash and other monetary assets placed in an irremovable trust for the purpose of extinguishing that debt were acquired. Statement No. 86is effective for the fiscal year ending June 30, 2018.

Upcoming Accounting and Reporting Changes

Statement No. 83, *Certain Asset Retirement Obligations* establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. The requirements of this Statement are effective for the fiscal year ending June 30, 2019.

Statement No. 84, *Fiduciary Activities* improves the guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The focus of the criteria includes the following: (1) is the government controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The four fiduciary funds that should be reported, if applicable are: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally will report fiduciary activities that are not held in a trust or similar arrangement that meets specific criteria. The requirements of this Statement are effective for the fiscal year ending June 30, 2020.

Statement No. 87, *Leases* increases the usefulness of the District’s 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 an underlying asset. A lessee will be required to recognize a lease liability and an intangible right-to-use a lease asset, and a lessor will be required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about the District’s leasing activities. The requirements of this Statement are effective for the fiscal year ending June 30, 2020.

Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* improves the information that is disclosed in notes to the District’s financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities districts should include when disclosing information related to debt. It requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. It will also require that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement are effective for the fiscal year ending June 30, 2019.

Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. It requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reporting in a business-type activity or enterprise fund. Interest cost incurred before the end of a construction period should be recognized as an expenditure for financial statements prepared using the current financial resources measurement. The requirements of this Statement are effective for the fiscal year ending June 30, 2021.

The Academy is evaluating the impact that the above pronouncements will have on its financial reporting.

Note 2 - Stewardship, Compliance, And Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and state law for the General and Special Revenue Funds. All annual appropriations lapse at fiscal year end, thereby canceling all encumbrances. These appropriations are reestablished at the beginning of the year.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. State law requires the Academy to have its budget in place by July 1. An academy is not considered in violation of the law if reasonable procedures are in use by the Academy to detect violations.

Revisions that alter the total expenditures of any fund must be approved by the Board of Directors.

Budgeted amounts are as originally adopted or as amended by the Board of Directors throughout the year. Individual amendments were not material in relation to the original appropriations.

Excess of Expenditures over Appropriations

During the year, the Academy incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

Function	Final Budget	Amount of Expenditures	Budget Variances
General Fund			
General administration	$ 223,207	$ 229,750	$ 6,543
Transfers out	-	13,096	13,096

Note 3 - Deposits and Investments

The Academy's deposits and investments were reported in the basic financial statements as follows:

	Governmental Activities	Fiduciary Funds	Total Primary Government
Cash	$ 623,408	$ 7,768	$ 631,176
Investments	594,553	-	594,553
	$ 1,217,961	$ 7,768	$ 1,225,729

The breakdown between deposits and investments for the Academy is as follows:

Deposits (checking, savings accounts, money markets, certificates of deposit)	$ 1,225,229
Petty cash and cash on hand	500
Total	$ 1,225,729

Interest rate risk – The Academy does not have a formal investment policy to manage its exposure to fair value losses arising from changes in interest rates.

Credit risk – State statutes authorize the Academy to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan; the Academy is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The Academy has no investment policy that would further limit its investment choices.

Concentration of credit risk – The Academy has no policy that would limit the amount that may be invested with any one issuer.

Custodial credit risk – deposits – In the case of deposits, this is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. The Academy does not have a deposit policy for custodial credit risk. As of year-end, $759,010 of the Academy's bank balance of $1,259,000 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Note 4 - Capital Assets

A summary of the changes in governmental capital assets is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	$ 46,401	$ -	$ -	$ 46,401
Capital assets being depreciated				
Buildings and additions	4,242,005	-	-	4,242,005
Equipment and furniture	1,313,788	190,411	-	1,504,199
Total capital assets being depreciated	5,555,793	190,411	-	5,746,204
Total accumulated depreciation	3,075,784	183,575	-	3,259,359
Net capital assets being depreciated	2,480,009	6,836	-	2,486,845
Net capital assets	$ 2,526,410	$ 6,836	$ -	$ 2,533,246

Depreciation expense was charged to activities of the Academy as follows:

Governmental activities		
Instruction	$	90,110
Supporting services		84,162
Food services		9,303
Total governmental activities	$	183,575

Note 5 - Interfund Receivable and Payable and Transfers

Individual interfund receivable and payable balances at year end were:

Due From	Due to	Amount
Lunch Fund	General Fund	$ 89,764

The outstanding balances between funds result mainly from the time lag between the dates that transactions are recorded in the accounting system and payments between funds are made.

Management does not anticipate individual interfund balances to remain outstanding for periods in excess of one year.

Interfund transfers were made during the year, to the General Fund from the Debt Fund totaling $1,111. These transfers were made to cover interest earned. Interfund transfers were made during the year, to the Food Service Fund from the General Fund totaling $13,096.

Note 6 - Unearned Revenue

Governmental funds report unearned revenue in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the components of unearned revenue are as follows:

	Unearned
Grant and categorical aid payments received prior to meeting all eligibility requirements	$ 42,719

Note 7 - State Aid Anticipation Note

The Academy issues state aid anticipation notes in advance of state aid collections, depositing the proceeds in the General Fund. These notes are necessary because the Academy receives state aid from October through the following August for its fiscal year ending June 30th.

Short-term debt activity for the year was as follows:

	Beginning Balance	Proceeds	Repayments	Ending Balance
State aid anticipation note	$ 181,818	$ 1,200,000	$ 1,066,675	$ 315,143

Note 8 - Long-Term Debt

The Academy issues notes and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. Revenue bonds are direct obligations and pledge the full faith and credit of the Academy and collateralized by the building and future unrestricted state aid revenues.

Long-term obligation activity is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Revenue bonds	$ 5,705,000	$ -	$ 160,000	$ 5,545,000	$ 180,000

Revenue bonds consist of the following:

Revenue bonds due in annual installments of between $160,000 and $490,000 through October 1, 2035, interest due twice a year at an average rate of 6.25%	$ 5,545,000

Future principal and interest requirements for bonded debt are as follows:

	Principal	Interest	Total
Year Ending June 30,			
2019	$ 180,000	$ 345,681	$ 525,681
2020	190,000	334,119	524,119
2021	195,000	322,088	517,088
2022	205,000	309,588	514,588
2023	225,000	296,150	521,150
2024 - 2028	1,335,000	1,245,967	2,580,967
2029 - 2033	1,825,000	747,628	2,572,628
2034 - 2036	1,390,000	136,426	1,526,426
Total	$ 5,545,000	$ 3,737,647	$ 9,282,647

The revenue bonds are payable from the General Fund. The Academy uses the Debt Service Fund to maintain future debt requirements. As of year end, the fund had a balance of $533,381 to pay this debt. Future debt and interest will be payable from future unrestricted state aid. Interest expenditures for the fiscal year in the General Fund $ 336,021.

Note 9 - Debt Covenant

The bonded debt agreement contains certain covenants, including maintenance of certain financial ratios as defined in the agreement. At June 30, 2018, the Academy was in compliance with the covenants.

Note 10 - Pension Plan

Plan Description

The Michigan Public School Employees' Retirement System (System or MPSERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act

300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. The board consists of twelve members— eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

The System's pension plan was established by the State to provide retirement, survivor and disability benefits to public school employees. In addition, the System's health plan provides all retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

The System is administered by the Office of Retirement Services (ORS) within the Michigan Department of Technology, Management & Budget. The Department Director appoints the Office Director, with whom the general oversight of the System resides. The State Treasurer serves as the investment officer and custodian for the System.

The System's financial statements are available on the ORS website at www.michigan.gov/orsschools.

Benefits Provided

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Depending on the plan option selected, member retirement benefits are determined by final average compensation, years of service, and a pension factor ranging from 1.25 percent to 1.50 percent. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

A DB plan member who leaves Michigan public school employment may request a refund of his or her member contributions to the retirement system account if applicable. A refund cancels a former member's rights to future benefits. However, returning members who previously received a refund of their contributions may reinstate their service through repayment of the refund upon satisfaction of certain requirements.

Contributions

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of active and retired members. Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2016 valuation will be amortized over a 20-year period for the 2016 fiscal year.

The schedule below summarizes pension contribution rates in effect for fiscal year 2017.

Pension Contribution Rates

Benefit Structure	Member	Employer
Basic	0.0 - 4.0%	19.03%
Member Investment Plan	3.0 - 7.0%	19.03%
Pension Plus	3.0 - 6.4%	18.40%
Defined Contribution	0.0%	15.27%

Required contributions to the pension plan from the Academy were $7,443 for the year ending September 30, 2017.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2018, the Academy reported a liability of $82,231 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2016. The Academy's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2017, the Academy's proportion was 0.0003% percent, which was a decrease of 0.0001% percent from its proportion measured as of September 30, 2016. At September 30, 2017, the total pension expense for the Academy was $11,720

At June 30, 2018, the Academy reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net
Difference between expected and actual experience	$ 715	$ 403	$ 312
Changes in assumptions	9,009	-	9,009
Net difference between projected and actual earnings on pension plan investments	-	3,931	(3,931)
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,717	59,089	(57,372)
Total to be recognized in future	11,441	63,423	(51,982)
Employer contributions subsequent to the measurement date	4,391	500	3,891
	$ 15,832	$ 63,923	$ (48,091)

Contributions subsequent to the measurement date reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Deferred (Inflow) of Resources by Year (To Be Recognized in Future OPEB Expenses)		
2018	$	18,745
2019		17,589
2020		13,415
2021		2,233
Total	$	51,982

Actuarial Assumptions
Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions:

- Valuation Date: September 30, 2016
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 3.5%
- Investment Rate of Return:
    - MIP and Basic Plans (Non-Hybrid): 7.5%
    - Pension Plus Plan (Hybrid): 7.0%
- Projected Salary Increases: 3.5 - 12.3%, including wage inflation at 3.5%
- Cost-of-Living Pension Adjustments: 3% Annual Non-Compounded for MIP Members
- Mortality: RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. This assumption was first used for the September 30, 2014 valuation of the System. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.

Assumption changes as a result of an experience study for the period 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total pension liability as of September 30, 2017, is based on the results of an actuarial valuation date of September 30, 2016, and rolled forward using generally accepted actuarial procedures, including the experience study.

Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 4.5188

Recognition period for assets in years is 5.0000

Full actuarial assumptions are available in the 2017 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

Long-Term Expected Return on Plan Assets
The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for

each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2017, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.0 %	5.6 %
Alternative Investment Pools	18.0	8.7
International Equity	16.0	7.2
Fixed Income Pools	10.5	(0.1)
Real Estate and Infrastructure Pools	10.0	4.2
Absolute Return Pools	15.5	5.0
Short Term Investment Pools	2.0	(0.9)
	100.0%	

**Long-term rates of return are net of administrative expenses and 2.3% inflation.*

Rate of Return

For the fiscal year ended September 30, 2017, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 13.24%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

A discount rate of 7.5% was used to measure the total pension liability (7.0% for the Pension Plus plan, a hybrid plan provided through non-university employers only). This discount rate was based on the long-term expected rate of return on pension plan investments of 7.5% (7.0% for the Pension Plus plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Academy's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Academy's proportionate share of the net pension liability calculated using the discount rate of 7.5% (7.0% for the Hybrid Plan), as well as what the Academy's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

1% Decrease (Non-Hybrid/Hybrid)* 6.5% / 6.0%	Current Single Discount Rate Assumption (Non-Hybrid/Hybrid)* 7.5% / 7.0%	1% Increase (Non-Hybrid/Hybrid)* 8.5% / 8.0%
$ 107,120	$ 82,231	$ 61,276

**The Basic plan and the Member Investment Plan (MIP) are non-hybrid plans. Pension Plus is a hybrid plan, with a defined benefit (pension) component and a defined contribution (DC) component.*

Michigan Public School Employees' Retirement System (MPSERS) Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS CAFR, available on the ORS website at www.michigan.gov/orsschools.

Payables to the Michigan Public School Employees' Retirement System (MPSERS)
There were no significant payables to the pension plan that are not ordinary accruals to the Academy.

Note 11 - Post-employment Benefits Other Than Pensions (OPEB)

Plan Description
The Michigan Public School Employees' Retirement System (System or MPSERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. The board consists of twelve members— eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

The System's health plan provides all eligible retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

The System is administered by the Office of Retirement Services (ORS) within the Michigan Department of Technology, Management & Budget. The Department Director appoints the Office Director, with whom the general oversight of the System resides. The State Treasurer serves as the investment officer and custodian for the System.

The System's financial statements are available on the ORS website at www.michigan.gov/orsschools.

Benefits Provided
Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which, through 2012, was funded on a cash disbursement basis. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, prescription drug, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree healthcare recipient. For members who first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP Graded plan members) the subsidy is the maximum allowed by statute. To limit future liabilities of Other Postemployment Benefits, members who first worked on or after July 1, 2008 (MIP-Plus plan members) have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning January 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date. Dependents are eligible for healthcare coverage if they meet the dependency requirements set forth in Public Act 300 of 1980, as amended.

Public Act 300 of 2012 granted all active members of the Michigan Public School Employees Retirement System, who earned service credit in the 12 months ending September 3, 2012 or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their retirement healthcare. Any changes to a member's healthcare benefit are effective as of the member's transition date, which is defined as the first day of the pay period that begins on or after February 1, 2013.

Under Public Act 300 of 2012, members were given the choice between continuing the 3% contribution to retiree healthcare and keeping the premium subsidy benefit described above, or choosing not to pay the 3% contribution and instead opting out of the subsidy benefit and becoming a participant in the Personal Healthcare Fund (PHF), a portable, tax-deferred fund that can be used to pay healthcare expenses in retirement. Participants in the PHF are automatically enrolled in a 2% employee contribution into their 457 account as of their transition date, earning them a 2% employer match into a 401(k) account. Members who selected this option stop paying the 3% contribution to retiree healthcare as of the day before their transition date, and their prior contributions were deposited into their 401(k) account.

Contributions

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of active and retired members. Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Employer OPEB contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2016 valuation will be amortized over a 20-year period for the 2017 fiscal year.

The schedule below summarizes OPEB contribution rates in effect for fiscal year 2017.

OPEB Contribution Rates

Benefit Structure	Member	Employer
Premium Subsidy	3.0%	5.91%
Personal Healthcare Fund (PHF)	0.0%	5.69%

Required contributions to the OPEB plan from the Academy were $2,430 for the year ended September 30, 2017.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2018, the Academy reported a liability of $27,638 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2016. The Academy's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2017, the Academy's proportion was 0.0003% which was the same percentage as its proportion measured as of September 30, 2016. At September 30, 2017, the total OPEB expense for the Academy was $1,836.

At June 30, 2018, the Academy reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net
Difference between expected and actual experience	$ -	$ 294	$ (294)
Net difference between projected and actual earnings on OPEB plan investments	-	640	(640)
Changes in proportion and differences between the School District contributions and proportionate share of contributions	-	57	(57)
Total to be recognized in the future	-	991	(991)
School District contributions subsequent to the measurement date	1,668	-	1,668
Total	$ 1,668	$ 1,982	$ (314)

Contributions subsequent to the measurement date reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Deferred (Inflow) of Resources by Year (To Be Recognized in Future OPEB Expenses)	
2018	$ (239)
2019	(239)
2020	(239)
2021	(239)
2022	(35)
Total	$ (991)

Actuarial Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions:

- Valuation Date: September 30, 2016
- Actuarial Cost Method: Entry Age, Normal

- Wage inflation rate: 3.5%
- Investment Rate of Return: 7.5%
- Projected Salary Increases: 3.5 - 12.3%, including wage inflation at 3.5%
- Healthcare Cost Trend Rate: 7.5% Year 1 graded to 3.5% Year 12
- Mortality: RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. This assumption was first used for the September 30, 2014 valuation of the System. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.

Other Assumptions:

- Opt Out Assumptions: 21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan
- Survivor Coverage: 80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death
- Coverage Election at Retirement: 75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

Assumption changes as a result of an experience study for the period 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total OPEB liability as of September 30, 2017, is based on the results of an actuarial valuation date of September 30, 2016, and rolled forward using generally accepted actuarial procedures, including the experience study.

Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 5.4744

Recognition period for assets in years is 5.0000

Full actuarial assumptions are available in the 2017 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2017, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.0 %	5.6 %
Alternative Investment Pools	18.0	8.7
International Equity	16.0	7.2
Fixed Income Pools	10.5	(0.1)
Real Estate and Infrastructure Pools	10.0	4.2
Absolute Return Pools	15.5	5.0
Short Term Investment Pools	2.0	(0.9)
	100.0%	

**Long-term rates of return are net of administrative expenses and 2.3% inflation.*

Rate of Return
For the fiscal year ended September 30, 2017, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 11.82%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate
A discount rate of 7.5% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 7.5%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Academy's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate
The following presents the Academy's proportionate share of the net OPEB liability calculated using the discount rate of 7.5%, as well as what the Academy's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
$ 32,372	$ 27,638	$ 23,620

Sensitivity of the Academy's Proportionate Share of the Net OPEB Liability to Healthcare Cost Trend Rate
The following presents the Academy's proportionate share of the net OPEB liability calculated using assumed trend rates, as well as what the Academy's proportionate share of net OPEB liability would be if it were calculated using a trend rate that is 1-percentage-point lower or 1-percentage-point higher:

1% Decrease 6.5%	Current Healthcare Cost Trend Rate 7.5%	1% Increase 8.5%
$ 23,406	$ 27,638	$ 32,443

OPEB Plan Fiduciary Net Position
Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2017 MPSERS CAFR, available on the ORS website at www.michigan.gov/orsschools.

Payables to the OPEB Plan
There were no significant payables to the OPEB plan that are not ordinary accruals to the Academy.

Note 12 - Risk Management

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

Note 13 - Contingent Liabilities

Amounts received or receivable from grantor agencies are subjected to audit and adjustment 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 costs which may be disallowed by the grantor cannot be determined at this time, although the Academy expects such amounts, if any, to be immaterial.

Note 14 - Management Company

In July 2017, the Academy entered into a management with Provision Business Solutions, LLC (PBS). Under the terms of this agreement, PBS provides a variety of services including business. The Academy is obligated to pay PBS a monthly fee for financial services. The total paid for these services amounted to approximately, $20,628 for the year ended June 30, 2017.

Additionally, the Academy's has an agreement with MEP Services to provide staffing. The total paid for these services amounted to approximately, $48,374 for the year ended June 30, 2017.

Note 15 - Adoption of New Accounting Standards

As indicated in Note 1, the Academy has adopted Government Accounting Standards Board Statement 75. This required the Academy to record their proportionate share of the net OPEB liability and OPEB expense. Previously, these amounts were not recorded on the Academy's statements. The standards require this change to be applied retroactively. The impact of this change is to reduce beginning net position in the statement of activities as of July 1, 2017 by $26,499, restating it from $(1,834,116) to $(1,860,615).

REQUIRED SUPPLEMENTARY INFORMATION

Summit Academy
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2018

	Budgeted Amounts Original	Budgeted Amounts Final	Actual	Over (Under) Budget
Revenues				
Local sources	$ 99,200	$ 95,442	$ 93,487	$ (1,955)
State sources	2,676,949	2,863,812	2,854,121	(9,691)
Federal sources	287,154	264,744	244,845	(19,899)
Interdistrict sources	89,500	37,262	31,327	(5,935)
Total revenues	3,152,803	3,261,260	3,223,780	(37,480)
Expenditures				
Instruction				
Basic programs	967,878	984,823	967,873	(16,950)
Added needs	464,249	498,837	462,534	(36,303)
Supporting services				
Pupil	160,793	147,222	137,743	(9,479)
Instructional staff	51,031	25,385	22,889	(2,496)
General administration	212,106	223,207	229,750	6,543
School administration	260,479	356,276	334,030	(22,246)
Business	46,500	56,204	50,420	(5,784)
Operations and maintenance	277,391	449,369	432,204	(17,165)
Pupil transportation services	18,500	18,500	18,500	-
Central	113,969	112,198	110,455	(1,743)
Community services	49,112	9,692	2,344	(7,348)
Debt service				
Principal	160,000	180,000	160,000	(20,000)
Interest and fiscal charges	356,306	354,856	336,021	(18,835)
Total expenditures	3,138,314	3,416,569	3,264,763	(151,806)
Excess (deficiency) of revenues over expenditures	14,489	(155,309)	(40,983)	114,326

Summit Academy
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2018

	Budgeted Amounts			
	Original	Final	Actual	Over (Under) Budget
Other Financing Sources (Uses)				
Transfers in	$ 8,265	$ 178	$ 1,111	$ 933
Transfers out	(5,000)	-	(13,096)	(13,096)
Total other financing sources (uses)	3,265	178	(11,985)	(12,163)
Net change in fund balance	17,754	(155,131)	(52,968)	102,163
Fund balance - beginning	956,023	956,023	956,023	-
Fund balance - ending	$ 973,777	$ 800,892	$ 903,055	$ 102,163

Summit Academy
Required Supplementary Information
Budgetary Comparison Schedule - Food Service
For the Year Ended June 30, 2018

	Budgeted Amounts			
	Original	Final	Actual	Over (Under) Budget
Revenues				
Local sources	$ 27,000	$ 20,000	$ 19,161	$ (839)
State sources	3,500	2,719	2,719	-
Federal sources	132,500	130,765	112,709	(18,056)
Total revenues	163,000	153,484	134,589	(18,895)
Expenditures				
Current				
Education				
Food services	162,500	152,550	147,685	(4,865)
Excess (deficiency) of revenues over expenditures	500	934	(13,096)	(14,030)
Other Financing Sources (Uses)				
Transfers in	-	-	13,096	13,096
Net change in fund balance	500	934	-	(934)
Fund balance - beginning	1,397	1,397	1,397	-
Fund balance - ending	$ 1,897	$ 2,331	$ 1,397	$ (934)

Summit Academy
Required Supplementary Information
Schedule of the Academy's Proportionate Share of the Net Pension Liability
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years (Measurement Date September 30th of Each June Fiscal Year)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
A. Reporting unit's proportion of net pension liability (%)	0.00040%	0.00070%	0.00070%	0.70000%						
B. Reporting unit's proportionate share of net pension liability	$ 82,231	$ 97,669	$ 177,125	$ 156,067						
C. Reporting unit's covered-employee payroll	$ 29,000	$ 29,000	$ 60,000	$ 60,000						
D. Reporting unit's proportionate share of net pension liability as a percentage of its covered- employee payroll	283.56%	336.79%	295.21%	260.11%						
E. Plan fiduciary net position as a percentage of total pension liability	63.96%	63.27%	63.17%	66.20%						

Notes:
Changes of benefit terms: There were no changes of benefit terms in plan fiscal year 2017.
Changes of benefit assumptions: There were no changes of benefit assumptions in plan fiscal year 2017.

Summit Academy
Required Supplementary Information
Schedule of the School Academy's Pension Contributions
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years

For the Years Ended June 30,

		2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
A.	Statutorily required contributions	$ 5,771	$ 8,791	$ 13,990	$ 11,044						
B.	Contributions in relation to statutorily required contributions	5,771	8,791	13,990	11,044						
C.	Contribution deficiency (excess)	$ -	$ -	$ -	$ -						
D.	Reporting unit's covered-employee payroll	29,000	29,000	60,000	60,000						
E.	Contributions as a percentage of covered-employee payroll	19.90%	30.31%	23.32%	18.41%						

Summit Academy

Required Supplementary Information
Schedule of the Academy's Proportionate Share of the Net OPEB Liability
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years (Measurement Date September 30th of Each June Fiscal Year)

		2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
A.	Reporting unit's proportion of net OPEB liability (%)	0.00300%									
B.	Reporting unit's proportionate share of net OPEB liability	$ 27,638									
C.	Reporting unit's covered-employee payroll	$ 29,000									
D.	Reporting unit's proportionate share of net OPEB liability as a percentage of its covered- employee payroll	95.30%									
E.	Plan fiduciary net position as a percentage of total OPEB liability	36.53%									

Notes:
Changes of benefit terms: There were no changes of benefit terms in plan fiscal year 2017.
Changes of benefit assumptions: There were no changes of benefit assumptions in plan fiscal year 2017.

Summit Academy
Required Supplementary Information
Schedule of the School Academy's OPEB Contributions
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years

	For the Years Ended June 30,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
A. Statutorily required contributions	$ 2,096									
B. Contributions in relation to statutorily required contributions	2,096									
C. Contribution deficiency (excess)	$ -									
D. Reporting unit's covered-employee payroll	29,000									
E. Contributions as a percentage of covered-employee payroll	7.23%									

OTHER REPORT

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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*

Independent Auditors' Report

Management and the Board of Directors
Summit Academy

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Summit Academy as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Summit Academy's basic financial statements, and have issued our report thereon dated September 21, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Summit Academy's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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.

Yeo & Yeo, P.C.

Flint, MI
September 21, 2018