

Audited Financial Statements

Summit Academy North

Romulus, Michigan

June 30, 2024

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
of Summit Academy North

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Summit Academy North, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Summit Academy North's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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 North, as of June 30, 2024, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Summit Academy North and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Summit Academy North's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Summit Academy North's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Summit Academy North's basic financial statements. The accompanying additional supplementary information, as identified in the Table of Contents, including the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the additional supplementary information, including the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2024, on our consideration of Summit Academy North's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Summit Academy North'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 North's internal control over financial reporting and compliance.



Croskey Lanni, PC

Rochester, MI
October 30, 2024

MANAGEMENT’S DISCUSSION AND ANALYSIS

Summit Academy North (“ACADEMY”) is a grade preschool through grade 12 Public School Academy located in Romulus, Michigan. This Management’s Discussion and Analysis, a requirement of GASB 34, is intended to be the Summit Academy North administration’s discussion and analysis of the financial results for the fiscal year ended June 30, 2024.

FINANCIAL HIGHLIGHTS OF THE ACADEMY

Table 1 - Basic Financial Information

	Current Fiscal Year	Prior Fiscal Year
State Aid Funding Per Pupil	\$ 9,608	\$ 9,150
Enrollment	1,564.13	1,560.70
General Fund Balance Increase/(Decrease)	\$ 74,816	\$ (2,082,928)
General Fund Balance as Percent of Unrestricted State Aid Revenue	19%	20%

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.

The academy has one kind of fund:

Governmental fund – Most of the Academy’s basic services are included in governmental funds which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Academy’s programs. Because this information does not encompass the additional long-term focus of the academy-wide statements, we provide additional information with the governmental funds statement that explains the relationship (or differences) between them.

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 Position of the Academy-wide financial statements.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the Academy’s budget for the year. Figure A-1 shows how the various parts of the annual report are arranged and related to one another.

Figure A-1 Organization of Summit Academy North Annual Financial Report

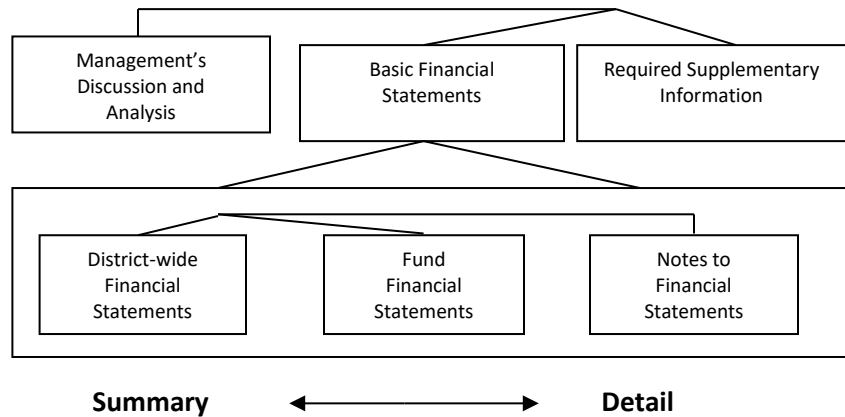


Figure A-2 summarizes the major features of the Academy’s financial statements, including the portion of the Academy’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights the structure and contents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

Figure A – 2 Major Features of the Academy-Wide and Fund Financial Statements

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

FINANCIAL ANALYSIS OF THE ACADEMY AS A WHOLE

Table 2 - Financial Results

	Current Fiscal Year	Prior Fiscal Year
Ending General Fund Balance	\$ 3,298,043	\$ 3,223,227
Total General Fund Revenue	\$ 23,026,058	\$ 21,296,428
State Aid Foundation Allowance as percent of Academy Revenues	76%	76%
Total Cost of Instructional Programs	\$ 9,540,792	\$ 8,821,196
Instructional Expenditures as percent of Total Expenditures	40%	39%
Total Cost of Support/Operational Services	\$ 12,606,069	\$ 12,299,181
Support/Operational Services as percent of Total Expenditures	53%	54%
Total Expenditures transferred to Debt Service	\$ 1,560,175	\$ 1,539,371
Transfer to Debt Service as percent of Total Expenditures	7%	7%

ACADEMY GOVERNMENTAL ACTIVITIES

Summary of Net Position

The following summarizes the net position at fiscal year ended June 30, 2024 and 2023:

Table 3 - Net Position Detail

	2024	2023
Assets		
Current Assets	\$ 8,756,577	\$ 7,498,588
Capital Assets	36,594,293	34,584,063
Less: Accumulated Depreciation	(20,246,202)	(18,677,213)
Capital Assets, Net Book Value	16,348,091	15,906,850
Deferred Outflows	265,316	387,281
Total Assets and Deferred Outflows	\$ 25,369,984	\$ 23,792,719
Liabilities		
Current Liabilities	\$ 5,148,817	\$ 3,373,091
Long-term Liabilities	20,901,299	21,492,034
Deferred Inflows	153,570	106,779
Total Liabilities and Deferred Inflows	\$ 26,203,686	\$ 24,971,904
Net Position		
Net Investment in Capital Assets	\$ (5,628,387)	\$ (6,389,034)
Restricted	2,035,481	2,502,177
Unrestricted	2,759,204	2,707,672
Total Net Position	\$ (833,702)	\$ (1,179,185)

Results of Operations:

For the fiscal year ended June 30, 2024 and 2023, the Academy-wide results of operations were:

Table 4 - Change in Net Position

	2024		2023	
	Amount	% of Total	Amount	% of Total
General Revenue:				
State of Michigan Aid - All Sources	\$ 15,177,108	63.68%	\$ 14,414,120	65.51%
Other	610,821	2.56%	78,009	0.35%
Total General Revenue	15,787,929	66.24%	14,492,129	65.86%
Program Revenue:				
Charges for Services	167,905	0.70%	248,451	1.13%
Operating Grants - Federal and State	7,878,741	33.06%	7,263,581	33.01%
Total Program Revenue	8,046,646	33.76%	7,512,032	34.14%
Total Revenue	23,834,575	100.00%	22,004,161	100.00%
Expenses:				
Instruction and Instructional Services	9,540,792	40.62%	8,821,196	41.41%
Support Services	11,396,461	48.52%	10,140,051	47.60%
Food Service	657,954	2.80%	516,667	2.43%
Community Services	58,786	0.25%	26,937	0.13%
Unallocated Depreciation / Amortization	1,134,660	4.83%	1,090,432	5.12%
Interest on Long-term Debt	700,439	2.98%	706,910	3.32%
Total Expenses	23,489,092	100.00%	21,302,193	100.00%
Change in Net Position	<u>\$ 345,483</u>		<u>\$ 701,968</u>	

During the fiscal year ended June 30, 2024, the Academy's net position increased by \$345,483 as compared to a net increase of \$701,956 in the prior fiscal year.

State of Michigan Aid and Other Factors affecting Revenue

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

- Per Student, Foundation Allowance: Annually, the State of Michigan sets the per student foundation allowance. The Summit Academy North's foundation allowance was \$9,608.
- Student Enrollment: The Academy's student enrollment for the fall count of 2023-24 was 1,566 students. To calculate total state aid to be provided by the foundation allowance, a system (Section 25) where the funding follows the student was used. This means adjustments were made to the current year fall count when students enrolled or unenrolled until the current year winter count to calculate the adjusted fall count. A blend of 90% of the adjusted current year fall count and 10% of the prior year spring count is multiplied by the Academy's foundation allowance.
- Total Section 25 adjustment was -15.53 FTE or (\$149,212).
- Additional federal funding was available during the 2023-24 fiscal year to supplement programs. This funding is expected to decrease in fiscal year 2024-25.

Subsequent to year end June 30, 2024, preliminary student enrollments for 2024-25 indicate that the 2024 fall student enrollment should increase slightly from 2023-24 levels.

GENERAL FUND BUDGETARY HIGHLIGHTS

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. Over the course of the year, the Academy revised the annual operating budget twice.

Changes were made in the second and fourth quarters to account change in student enrollment, federal funding, and changes in assumptions (e.g. staffing changes, instructional, transportation, food services and community services) since the original budget was adopted.

The Academy’s revenue from General Fund operations exceeded expenditures by \$74,816 for the fiscal year ended June 30, 2024.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets

The Academy’s net investment in capital assets increased by \$441,241 during the fiscal year. This can be summarized as follows:

Table 5 - Capital Assets

	Beginning Balance 6/30/23	Additions	Disposals	Ending Balance 6/30/24
Land	\$ 1,113,410	\$ -	\$ -	\$ 1,113,410
Building	25,715,778	724,882	-	26,440,660
Furniture and Equipment	2,070,846	95,225	-	2,166,071
Computers	5,116,761	-	-	5,116,761
Right to use assets	567,268	755,794	434,329	1,757,391
Less: Accumulated Depreciation / Amortization	18,677,213	1,134,660	434,329	20,246,202
Net Investment in Capital Assets	\$ 15,906,850	\$ 441,241	\$ -	\$ 16,348,091

Depreciation/Amortization Expense

GASB 34 requires Public School Academies to maintain a record of annual depreciation/amortization expense and accumulated depreciation/amortization. The net increase in accumulated depreciation/amortization expense is a reduction in net position in the entity-wide financial statements. Depreciation/amortization 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, 2024, the net increase in accumulated depreciation was \$1,134,660.

Depreciation/amortization 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/amortization expense is recorded based on the original cost of the asset, less an estimated salvage value.

Debt, Principal Payments

A summary of long-term debt service activities is as follows.

Table 6 - Debt, Principal Payments

	Balance 6/30/2023	New Financings	Principal Payments	Balance 6/30/2024
Direct borrowings	\$ 76,594	\$ 755,794	\$ 209,711	\$ 622,677
Revenue bond 2022	20,690,000	-	785,000	19,905,000
Total Long-term Obligations	\$ 20,766,594	\$ 755,794	\$ 994,711	\$ 20,527,677

ECONOMIC FACTORS BEARING ON THE ACADEMY’S FUTURE

The Preliminary Budget for the 2024-25 Fiscal Year was adopted by the Board of Directors in June 2024. 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 2024-25 budget preparation process include:

- State Aid Foundation was budgeted with a \$240 per pupil increase. Subsequent to year end the Foundation Allowance was not increased but the academy is receiving a one-time \$375 per pupil separate categorical.
- Enrollment of 1583 students.
- Mitigation of the decrease in revenue due to the end of the ESSER III grant.

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 FINANCIAL MANAGEMENT

This financial report is designed to provide our students, parents and creditors with a general overview of the Academy’s finances and to demonstrate the Academy’s accountability for the money it receives. If you have questions about this report or need additional information, contact the Academy’s office at 18601 Middlebelt, Romulus, MI 48174.

SUMMIT ACADEMY NORTH

STATEMENT OF NET POSITION JUNE 30, 2024

ASSETS AND DEFERRED OUTFLOWS

Current Assets

Cash and cash equivalents	\$ 1,753,219
Investments - restricted for debt service and capital projects	2,792,104
Due from other governmental units	3,891,354
Prepaid expenses	319,900

Total current assets 8,756,577

Capital Assets

16,348,091

Total assets 25,104,668

Deferred Outflows

Related to pension	209,297
Related to other post employment benefits	56,019

Total deferred outflows 265,316

Total assets and deferred outflows \$ 25,369,984

LIABILITIES, DEFERRED INFLOWS AND NET POSITION

Current Liabilities

Accounts payable	\$ 543,888
Notes payable	1,545,460
Unearned revenue	1,229,884
Other accrued liabilities	166,576
Net pension liability	596,539
Net other post employment benefit liability	(8,709)
Long-term debt - current portion	1,075,179

Total current liabilities 5,148,817

Long-Term Debt - Long-Term Portion

20,901,299

Deferred Inflows

Related to pension	59,728
Related to other post employment benefits	93,842

Total deferred inflows 153,570

Total liabilities and deferred inflows 26,203,686

Net Position

Net investment in capital assets	(5,628,387)
Restricted	2,035,481
Unrestricted	2,759,204

Total net position (833,702)

Total liabilities, deferred inflows and net position \$ 25,369,984

See accompanying notes to financial statements

SUMMIT ACADEMY NORTH

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2024

		Program Revenues		Net (Expense) Revenues and Changes in Net Position
	Expenses	Charges for Services	Operating Grants	Government Type Activities
Functions				
Instruction				
Basic programs	\$ 6,565,285	\$ -	\$ 1,158,068	\$ (5,407,217)
Added needs	2,975,507	-	3,130,215	154,708
Support services				
Pupil support services	1,347,938	-	631,036	(716,902)
Instructional staff support services	2,031,709	-	1,984,225	(47,484)
General administration	1,072,311	-	-	(1,072,311)
School administration	1,884,534	-	-	(1,884,534)
Business support services	310,258	-	-	(310,258)
Operations and maintenance	1,600,092	-	182,253	(1,417,839)
Pupil transportation services	1,165,505	8,503	173,008	(983,994)
Central support services	1,123,667	-	2,408	(1,121,259)
Athletic activities	740,980	-	-	(740,980)
Other student activities	119,467	91,472	-	(27,995)
Food services	657,954	6,082	594,489	(57,383)
Community services	58,786	61,848	23,039	26,101
Unallocated depreciation and amortization	1,134,660	-	-	(1,134,660)
Unallocated interest	700,439	-	-	(700,439)
Total primary government	<u>\$ 23,489,092</u>	<u>\$ 167,905</u>	<u>\$ 7,878,741</u>	<u>(15,442,446)</u>
General Purpose Revenues				
State school aid - unrestricted				15,177,108
Miscellaneous revenues				<u>610,821</u>
Total general purpose revenues				<u>15,787,929</u>
Change in net position				345,483
Net position - July 1, 2023				<u>(1,179,185)</u>
Net position - June 30, 2024				<u>\$ (833,702)</u>

See accompanying notes to financial statements

SUMMIT ACADEMY NORTH

COMBINED BALANCE SHEET – ALL GOVERNMENTAL FUNDS JUNE 30, 2024

ASSETS

	General	Debt Service	Non-Major	Total
Cash and cash equivalents	\$ 1,753,219	\$ -	\$ -	\$ 1,753,219
Investments	-	2,495,147	296,957	2,792,104
Due from other governmental units	3,891,354	-	-	3,891,354
Due from other funds	824,242	-	402,366	1,226,608
Prepaid expenses	319,900	-	-	319,900
Total assets	<u>\$ 6,788,715</u>	<u>\$ 2,495,147</u>	<u>\$ 699,323</u>	<u>\$ 9,983,185</u>

LIABILITIES AND FUND BALANCE

Liabilities

Accounts payable	\$ 543,888	\$ -	\$ -	\$ 543,888
Notes payable	1,545,460	-	-	1,545,460
Due to other funds	67,619	1,158,989	-	1,226,608
Unearned revenue	1,229,884	-	-	1,229,884
Other accrued liabilities	103,821	-	-	103,821
Total liabilities	3,490,672	1,158,989	-	4,649,661

Fund Balance

Nonspendable	319,900	-	-	319,900
Restricted	-	1,336,158	699,323	2,035,481
Unassigned	2,978,143	-	-	2,978,143
Total fund balance	<u>3,298,043</u>	<u>1,336,158</u>	<u>699,323</u>	<u>5,333,524</u>
Total liabilities and fund balance	<u>\$ 6,788,715</u>	<u>\$ 2,495,147</u>	<u>\$ 699,323</u>	<u>\$ 9,983,185</u>

See accompanying notes to financial statements

SUMMIT ACADEMY NORTH

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET POSITION OF GOVERNMENTAL ACTIVITIES JUNE 30, 2024

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

Total Governmental Fund Balances		\$ 5,333,524
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$36,594,293 and the accumulated depreciation / amortization is \$20,246,202.		16,348,091
Interest is not payable until due in governmental activities and, therefore, is not recorded in the funds.		(62,755)
Deferred Outflows of Resources:		
Related to pension payments	\$ 209,297	
Related to OPEB payments	<u>56,019</u>	265,316
Deferred Inflows of Resources:		
Related to pension investment returns	\$ (59,728)	
Related to OPEB investment returns	<u>(93,842)</u>	(153,570)
Net pension obligations are not due and payable in the current period and are not reported as fund liabilities.		(596,539)
Net OPEB obligations are not due and payable in the current period and are not reported as fund liabilities.		8,709
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		<u>(21,976,478)</u>
Net Position of Governmental Activities		<u><u>\$ (833,702)</u></u>

See accompanying notes to financial statements

SUMMIT ACADEMY NORTH

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – ALL GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2024

	General	Debt Service	Non-Major	Total
Revenues				
Local sources	\$ 558,976	\$ 109,298	\$ 110,452	\$ 778,726
State sources	17,600,990	-	24,544	17,625,534
Federal sources	4,002,184	-	569,945	4,572,129
Interdistrict sources	863,908	-	-	863,908
Total governmental fund revenues	23,026,058	109,298	704,941	23,840,297
Expenditures				
Instruction				
Basic programs	6,565,285	-	-	6,565,285
Added needs	2,975,507	-	-	2,975,507
Support services				
Pupil support services	1,347,938	-	-	1,347,938
Instructional staff support services	2,031,709	-	-	2,031,709
General administration	1,072,311	-	-	1,072,311
School administration	1,877,000	-	-	1,877,000
Business support services	308,108	2,150	-	310,258
Operations and maintenance	1,600,092	-	-	1,600,092
Pupil transportation services	1,165,505	-	-	1,165,505
Central support services	1,123,667	-	-	1,123,667
Athletic activities	740,980	-	-	740,980
Other student activities	-	-	119,467	119,467
Food services	-	-	657,954	657,954
Community services	58,786	-	-	58,786
Capital outlay	1,049,756	-	526,145	1,575,901
Debt principal and interest	230,217	1,546,894	-	1,777,111
Total governmental fund expenditures	22,146,861	1,549,044	1,303,566	24,999,471
Excess (deficiency) of revenues over expenditures	879,197	(1,439,746)	(598,625)	(1,159,174)
Other Financing Sources (Uses)				
Proceeds from capital leases	755,794	-	-	755,794
Operating transfers in	-	1,560,175	-	1,560,175
Operating transfers out	(1,560,175)	-	-	(1,560,175)
Total other financing sources (uses)	(804,381)	1,560,175	-	755,794
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	74,816	120,429	(598,625)	(403,380)
Fund balance - July 1, 2023	3,223,227	1,215,729	1,297,948	5,736,904
Fund balance - June 30, 2024	\$ 3,298,043	\$ 1,336,158	\$ 699,323	\$ 5,333,524

See accompanying notes to financial statements

SUMMIT ACADEMY NORTH

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2024

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

Net Change in Fund Balances - Total Governmental Funds	\$	(403,380)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation and amortization expense. This is the amount by which capital outlays exceeded depreciation and amortization in the current period.

Capital outlay	\$	1,575,901	
Depreciation and amortization expense		<u>(1,134,660)</u>	441,241

Revenue is reported in the statement of activities when earned, but not reported in the funds until collected or collectible within 60 days of year end.	(5,722)
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Change in expense related to pension	(32,482)
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Change in expense related to OPEB	24,948
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The governmental funds report loan proceeds as an other financing source, while repayment of loan principal is reported as an expenditure. Interest is recognized as an expenditure in the governmental funds when it is due. The net effect of these differences in the treatment of general loan obligations is as follows:

Proceeds from capital leases	\$	(755,794)	
Repayment of loan principal		994,711	
Interest expense		<u>81,961</u>	<u>320,878</u>

Change in Net Position of Governmental Activities	\$	<u>345,483</u>
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See accompanying notes to financial statements

SUMMIT ACADEMY NORTH

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Summit Academy North (the “Academy”) conform to generally accepted accounting principles applicable to public school academies. Summit Academy North following is a summary of the significant accounting policies:

Reporting Entity

Summit Academy North was formed as a public school academy pursuant to the Michigan School Code of 1976, as amended by Act No. 362 of the Public Acts of 1993 and Act No. 416 of the Public Acts of 1994. The Academy filed articles of incorporation as a nonprofit corporation pursuant to the provisions of the Michigan Nonprofit Corporation Act of 1982, as amended, in May, 1998, and began operation in July 1998.

In July 2021, the Academy extended into a contract with the Central Michigan University’s Board of Trustees to charter a public school academy through 2026. The contract requires the Academy to act exclusively as a governmental agency and not undertake any action inconsistent with its status as an entity authorized to receive state school aid funds pursuant to the State constitution. The University’s Board of Trustees is the fiscal agent for the Academy and is responsible for overseeing the Academy’s compliance with the contract and all applicable laws. The Academy pays the Central Michigan University’s Board of Trustees three percent of state aid as administrative fees. Total administrative fees paid for the year ended June 30, 2024 were approximately \$452,900.

In June 2020, the Academy entered into a one year agreement with CSP Management, Inc. doing business as Partner Solutions – “PS” through June 30, 2021, which was renewed to run concurrent with the authorizer agreement. Under the terms of this agreement, PS provides a variety of services including payroll, human resource services, and various business services. The Academy is obligated to pay PS two and seventy five hundredths percent (2.75%) of its gross payroll expenses and a flat fee of \$53,000 for the business services (increasing to \$54,900 for the remainder of the agreement). Total paid for these services amount to approximately \$368,230 for the year ended June 30, 2024.

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

Fund Financial Statements

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

SUMMIT ACADEMY NORTH

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Basis of Presentation – Fund Accounting

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

Governmental Funds

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

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

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

Special Revenue Fund (Student Activities) – The Academy presently maintains an activity fund to record the transactions of student groups for school and school-related purposes. The student activity fund is a subsidiary operation and is an obligation of the general fund. Therefore, any shortfall in the student activity fund will be covered by an operating transfer from the general fund.

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

Capital Projects Fund - The capital projects fund accounts for financial resources to be used for the acquisition, construction, or improvement of capital facilities.

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

- a. Revenue that is both measurable and available for use to finance operations is recorded as revenue when earned. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Academy considers revenues to be available if they are collected within sixty days of the end of the current fiscal period.

SUMMIT ACADEMY NORTH

NOTES TO FINANCIAL STATEMENTS - Continued FOR THE YEAR ENDED JUNE 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

- b. Payments for inventorable types of supplies, which are not significant at year end, are recorded as expenditures at the time of purchase.
- c. Principal and interest of general long-term debt are not recorded as expenditures until their due dates.
- d. The State of Michigan utilizes a foundation allowance funding approach, which provides for specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenue from state sources is primarily governed by the School Aid Act and the School Code of Michigan. The state portion of the foundation is provided from the State's School Aid Fund and is recognized as revenue in accordance with state law. A major portion of the Academy's revenue is derived from this state aid. As such, the Academy is considered to be economically dependent on this aid. The Academy's existence is dependent upon qualification for such aid.

Government-Wide Financial Statements

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

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

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

Cash and Cash Equivalents

The Academy's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with maturities of three months or less from the date of acquisition. The Academy reports its investments in accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External

SUMMIT ACADEMY NORTH

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Investment Pools and GASB No. 40, Deposit and Investment Risk Disclosures. Under these standards, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Academy intends to hold the investment until maturity. The Academy held investments in mutual funds that invest solely in U.S. Treasury obligations. The funds are held in trust for debt service and capital projects. State statutes authorize the Academy to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, saving accounts, deposit accounts, and or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Corporation or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The Academy is also authorized to invest in U.S. Government or Federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

Receivables

Accounts receivables and due from other governmental units at June 30, 2024 consist primarily of state school aid due from the State of Michigan and the federal government. All receivables are expected to be fully collected in July and August of 2024 and are considered current for the purposes of these financial statements.

Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond June 30, 2024, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

Capital Assets and Depreciation

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

All reported capital assets, with the exception of land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Right to use assets of the Academy are amortized using the straight-line method over the shorter of the lease/subscription period or the estimated useful lives. Depreciation and amortization are computed using the straight-line method over the following useful lives:

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

SUMMIT ACADEMY NORTH

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Accrued Liabilities and Long-Term Obligations

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

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 (MPERS) and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. 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 (MPERS) and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. 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.

Net Position

Net position is the residual of all other elements presented in a statement of financial position. It is the difference between (a) assets plus deferred outflows of resources and (b) liabilities and deferred inflows of resources. Net position is displayed in the following three components: Net position represents the difference between assets, deferred outflows, liabilities, and deferred inflows. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors or laws of regulations of other governments.

Net Investment in Capital Assets - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation/amortization and reduced by any outstanding balance of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

SUMMIT ACADEMY NORTH

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Restricted - This component of net position consists of constraints placed on the use of net position by external restrictions imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted - This component of net position consists of net position that does not meet the definition of Net investment in capital assets or Restricted.

Fund Equity

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

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

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

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

The Academy follows the policy that restricted, committed, or assigned amounts will be considered to have been spent when an expenditure is incurred for purposes for which both unassigned and restricted, committed, or assigned fund balances are available. There are no governmental funds with a deficit.

Leases

Leases and Subscription Based IT Arrangements (SBITA)

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

SUMMIT ACADEMY NORTH

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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

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

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

Estimates

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

Upcoming Accounting Pronouncements

In June 2022, the GASB issued Statement No. 101, Compensated Absences. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. The Academy is currently evaluating the impact this standard will have on the financial statements when adopted during the 2024-2025 fiscal year.

In December 2023, the GASB issued Statement No. 102, Certain Risk Disclosures. This Statement requires a government to assess whether a concentration or constraint makes the government vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact to have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. If a government determines that those criteria for disclosure have been met for a concentration or constraint, it should disclose information in notes to financial statements in sufficient detail to enable users of financial statements to understand the nature of circumstances disclosed and the government's vulnerability to the risk of substantial impact. The Academy is currently evaluating the impact this standard will have on the financial statements when adopted during the 2024-2025 fiscal year.

SUMMIT ACADEMY NORTH

NOTES TO FINANCIAL STATEMENTS - Continued FOR THE YEAR ENDED JUNE 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

In April 2024, the GASB issued Statement No. 103, Financial Reporting Model Improvements. This Statement establishes new accounting and financial reporting requirements—or modifies existing requirements—related to the following:

- a. Management's discussion and analysis (MD&A);
 - i. Requires that the information presented in MD&A be limited to the related topics discussed in five specific sections:
 - 1) Overview of the Financial Statements,
 - 2) Financial Summary,
 - 3) Detailed Analyses,
 - 4) Significant Capital Asset and Long-Term Financing Activity,
 - 5) Currently Known Facts, Decisions, or Conditions;
 - ii. Stresses detailed analyses should explain why balances and results of operations changed rather than simply presenting the amounts or percentages by which they changed;
 - iii. Removes the requirement for discussion of significant variations between original and final budget amounts and between final budget amounts and actual results;
- b. Unusual or infrequent items;
- c. Presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position;
 - i. Requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses and clarifies the definition of operating and nonoperating revenues and expenses;
 - ii. Requires that a subtotal for *operating income (loss) and noncapital subsidies* be presented before reporting other nonoperating revenues and expenses and defines subsidies;
- d. Information about major component units in basic financial statements should be presented separately in the statement of net position and statement of activities unless it reduces the readability of the statements in which case combining statements of should be presented after the fund financial statements;
- e. Budgetary comparison information should include variances between original and final budget amounts and variances between final budget and actual amounts with explanations of significant variances required to be presented in the notes to RSI.

The Academy is currently evaluating the impact this standard will have on the financial statements when adopted during the 2025-2026 fiscal year.

SUMMIT ACADEMY NORTH

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2024

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. State law requires the Academy to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. The Academy is required by law to adopt general and special revenue fund budgets. During the year ended June 30, 2024 the budget was amended in a legally permissible manner. A comparison of amounts appropriated against actual expenditures can be found on page 34 of these financial statements.

NOTE 3 - DEPOSITS AND INVESTMENTS

As of June 30, 2024, the Academy had the following investments:

<u>Type</u>	<u>S&P Rating</u>	<u>Maturities</u>	<u>Carrying Value</u>
Deposits:			
Demand deposits			\$ 1,753,219
Investments:			
U.S. Government obligations	AAAm	Various	<u>2,792,104</u>
Total deposits and investments			<u>\$ 4,545,323</u>

The above amounts are reported in the financial statements as follows:

Deposits:		
Cash - General fund		\$ 1,753,219
Investments:		
Investments - Debt service fund		2,495,147
Investments - Capital projects fund		<u>296,957</u>
Total investments		<u>2,792,104</u>
Total deposits and investments		<u>\$ 4,545,323</u>

SUMMIT ACADEMY NORTH

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2024

NOTE 3 - DEPOSITS AND INVESTMENTS - Continued

Interest Rate Risk

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

Credit Risk

State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2024, the Academy's investments were rated AAAm by Standards & Poor's and Aaa-mf by Moody's Investors Service.

Concentration of Credit Risk

The Academy will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Academy's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. More than 5% of the Academy's investments are U.S. Government obligations which represents 100% of the Academy's total investments.

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. As of June 30, 2024, \$1,532,920 of the Academy's cash was exposed to custodial credit risk because it was uninsured. All cash balances were uncollateralized as of June 30, 2024.

Custodial Credit Risk - Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the Academy will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Academy will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the Academy will do business.

Foreign Currency Risk

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

SUMMIT ACADEMY NORTH

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2024

NOTE 3 - DEPOSITS AND INVESTMENTS - Continued

Fair Value

Generally accepted accounting principles define fair value, establish a framework for measuring fair value, and establish a fair value hierarchy that prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Academy has the ability to access.
- b. Level 2 inputs are inputs (other than quoted prices included within Level 1) that are observable for the asset or liability, either directly or indirectly.
- c. Level 3 are unobservable inputs for the asset or liability and rely on management’s own assumptions about the assumptions that market participants would use in pricing the asset or liability. (The observable inputs should be developed based on the best information available in the circumstances and may include the Academy’s own data.)

The Academy’s investments are U.S. Government obligations that are subject to the fair value measurement and are considered Level 1 investments.

NOTE 4 – DUE FROM OTHER GOVERNMENTAL UNITS

Amounts due from other governmental units consist of the following:

Local sources	\$ 133,595
State sources	3,218,110
Federal sources	<u>539,649</u>
Total	<u>\$ 3,891,354</u>

SUMMIT ACADEMY NORTH

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2024

NOTE 5 - CAPITAL ASSETS

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

	Balance July 1, 2023	Additions	Disposals	Balance June 30, 2024
Capital assets not subject to depreciation				
Land	\$ 1,113,410	\$ -	\$ -	\$ 1,113,410
Capital assets subject to depreciation / amortization				
Right to use - assets	514,621	755,794	434,329	836,086
Right to use - subscription-based IT	52,647	-	-	52,647
Building	25,715,778	724,882	-	26,440,660
Furniture and equipment	2,070,846	95,225	-	2,166,071
Computers	5,116,761	-	-	5,116,761
Total cost basis of assets	34,584,063	1,575,901	434,329	35,725,635
Accumulated depreciation / amortization				
Right to use - assets	431,471	224,317	434,329	221,459
Right to use - subscription-based IT	8,774	8,774	-	17,548
Building	11,296,641	845,465	-	12,142,106
Furniture and equipment	1,862,662	35,706	-	1,898,368
Computers	5,077,665	20,398	-	5,098,063
Sub-total	18,677,213	1,134,660	434,329	19,377,544
Total net capital assets	\$ 15,906,850	\$ 441,241	\$ -	\$ 16,348,091

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

SUMMIT ACADEMY NORTH

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2024

NOTE 6 – NOTES PAYABLE

Notes payable as of June 30, 2024 can be summarized as follows:

Loan Information

	Interest Rate	Maturity Date	Other
SAAN 22-23	6.67%	August, 2023	Paid in full
SAAN 23-24	9.15%	August, 2024	Issued to provide Academy with funds for operations; secured by future state aid payments

Loan Activity

	Balance July 1, 2023	Additions	Retirements and Payments	Balance June 30, 2024
SAAN 22-23	\$ 545,460	\$ -	\$ 545,460	\$ -
SAAN 23-24	-	4,000,000	2,454,540	1,545,460
	<u>\$ 545,460</u>	<u>\$ 4,000,000</u>	<u>\$ 3,000,000</u>	<u>\$ 1,545,460</u>

NOTE 7 – OTHER ACCRUED LIABILITIES

Other accrued liabilities may be summarized as follows:

	Net Position	Funds
University oversight fee	\$ 82,009	\$ 82,009
Interest	<u>84,567</u>	<u>21,812</u>
Total other accrued liabilities	<u>\$ 166,576</u>	<u>\$ 103,821</u>

SUMMIT ACADEMY NORTH

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2024

NOTE 8 - LONG-TERM OBLIGATIONS PAYABLE

The following is a summary of long-term obligations for the Academy during the year ended June 30, 2024:

Loan Information

	Interest Rate	Maturity Date	Other
Direct borrowing lease - bus	4.00%	September, 2027	Payable monthly at \$21,252 including interest. Secured by Academy equipment.
Direct borrowing lease - copiers	4.00%	December, 2027	Payable monthly at \$1,476 including interest. Secured by Academy equipment.
Revenue bond 2021	Average of 3.4%	November, 2041	Issued to refinance 2011 and 2016 revenue bonds, which were issued to provide funding for facilities and related renovations. Payment of principal and interest due twice yearly. Secured by facilities and pledge for 20% of State School Aid.

Loan Activity

	Balance July 1, 2023	Additions	Retirements and Payments	Balance June 30, 2024	Due Within One Year
Direct borrowing - buses	\$ -	\$ 755,794	\$ 190,861	\$ 564,933	\$ 254,496
Direct borrowing - bus	3,781	-	3,781	-	-
Direct borrowing - copiers	72,813	-	15,069	57,744	15,683
Revenue bond 2022	20,690,000	-	785,000	19,905,000	805,000
	<u>\$ 20,766,594</u>	<u>\$ 755,794</u>	<u>\$ 994,711</u>	20,527,677	<u>\$ 1,075,179</u>
Plus unamortized premium				1,448,801	
Total loan activity				<u>\$ 21,976,478</u>	

SUMMIT ACADEMY NORTH

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2024

NOTE 8 - LONG-TERM OBLIGATIONS PAYABLE – Continued

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

	<u>Principal</u>	<u>Interest</u>
2025	\$ 1,075,179	\$ 683,507
2026	1,083,426	654,541
2027	920,320	627,704
2028	873,752	599,913
2029	900,000	564,511
2030 - 2034	5,090,000	2,239,755
2035 - 2039	6,215,000	1,112,855
2040 - 2042	4,370,000	25,333

NOTE 9 – DEFINED BENEFIT 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 and a fiduciary component unit of 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 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.

SUMMIT ACADEMY NORTH

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2024

NOTE 9 – DEFINED BENEFIT PENSION PLAN – Continued

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, 2022, valuation will be amortized over a 16-year period beginning October 1, 2022 and ending September 30, 2038.

The schedule below summarizes pension contribution rates in effect for fiscal year ended September 30, 2023.

Pension Contribution Rates

Benefit Structure	Member	Academy
Basic	0.0 - 4.0 %	20.16 %
Member Investment Plan	3.0 - 7.0	20.16
Pension Plus	3.0 - 6.4	17.24
Pension Plus 2	6.2	19.95
Defined Contribution	0.0	13.75

Required contributions to the pension plan from the Academy were \$66,428 for the year ended September 30, 2023.

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

At June 30, 2024, the Academy reported a liability of \$596,539 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2022. 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, 2023, the Academy's proportion was .0018431 percent, which was a decrease of .0000291 percent from its proportion measured as of September 30, 2022.

SUMMIT ACADEMY NORTH

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2024

NOTE 9 – DEFINED BENEFIT PENSION PLAN - Continued

For the year ending June 30, 2024, the Academy recognized pension expense of \$98,326. At June 30, 2024, 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
Differences between expected and actual experience	\$ 18,831	\$ 914
Changes of assumptions	80,834	46,607
Net difference between projected and actual earnings on pension plan investments	-	12,207
Changes in proportion and differences between Academy contributions and proportionate share of contributions	54,539	-
Academy contributions subsequent to the measurement date	55,093	-
Total	\$ 209,297	\$ 59,728

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 ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2024	\$ 37,032
2025	25,905
2026	29,587
2027	(9,410)

Actuarial Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the Academy 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 Academy 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.

SUMMIT ACADEMY NORTH

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2024

NOTE 9 – DEFINED BENEFIT PENSION PLAN - Continued

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Valuation Date	September 30, 2022
Actuarial Cost Method	Entry Age, Normal
Wage Inflation Rate	2.75%
Investment Rate of Return	
MIP and Basic Programs	6.00% net of investment expenses
Pension Plus Plan	6.00% net of investment expenses
Pension Plus 2 Plan	6.00% net of investment expenses
Projected Salary Increases (including wage inflation at 2.75%):	2.75 – 11.55%
	3% Annual Non-Compounded
Cost-of-Living Pension Adjustments	for MIP Members

Mortality

Retirees: PubT-2010 Male and Female Mortality Tables, scaled by 116% for males and 116% for females and adjusted for mortality improvements using projection scale MP-2021 from 2010.

Active Members: PubT-2010 Male and Female Employee Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2021 from 2010.

Notes

Assumption changes as a result of an experience study for the periods 2017 through 2022 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2023 valuation. The total pension liability as of September 30, 2023, is based on the results of an actuarial valuation date of September 30, 2022, 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: 4.4406

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.

SUMMIT ACADEMY NORTH

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2024

NOTE 9 – DEFINED BENEFIT PENSION PLAN - Continued

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, 2023, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Domestic Equity Pools	25.0 %	5.8 %
Private Equity Pools	16.0	9.6
International Equity	15.0	6.8
Fixed Income Pools	13.0	1.3
Real Estate and Infrastructure Pools	10.0	6.4
Absolute Return Pools	9.0	4.8
Real Return / Opportunistic Pools	10.0	7.3
Short Term Investment Pools	2.0	0.3
Total	100.0 %	

*Long-term rates of return are net of administrative expenses and 2.2% inflation.

Rate of Return

For the fiscal year ended September 30, 2023, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 8.29%. 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 6.00% was used to measure the total pension liability (6.00% for the Pension Plus plan, 6.00% for the Pension Plus 2 plan, hybrid plans provided through non-university employers only). This discount rate was based on the long-term expected rate of return on pension plan investments of 6.00% (6.00% for the Pension Plus plan, 6.00% for the Pension Plus 2 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.

SUMMIT ACADEMY NORTH

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2024

NOTE 9 – DEFINED BENEFIT PENSION PLAN - Continued

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 6.00% (6.00% for the Pension Plus plan, 6.0% for the Pension Plus 2 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	Current Single Discount	1% Increase
5.00%	Rate Assumption	7.00%
\$ 805,922	\$ 596,539	\$ 422,220

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.

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description

The Michigan Public School Employees' Retirement System (System or MPSERS) is a cost-sharing, multiple employers, state-wide, defined benefit public employee retirement plan and a fiduciary component unit of 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 Michigan.gov/ORSSchools.

SUMMIT ACADEMY NORTH

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2024

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) - Continued

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 Jan. 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 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, 2021, valuation will be amortized over a 16-year period beginning October 1, 2022 and ending September 30, 2038.

SUMMIT ACADEMY NORTH

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2024

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) - Continued

The schedule below summarizes OPEB contribution rates in effect for fiscal year ended September 30, 2023.

Benefit Structure	Member	Academy
Premium Subsidy	3.00 %	8.07 %
Personal Healthcare Fund (PHF)	0.00	7.21

Required contributions to the OPEB plan from the Academy were \$11,993 for the year ended September 30, 2023.

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

At June 30, 2024, the Academy reported a liability of \$(8,709) for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2022. The Academy's proportion of the net OPEB liability was determined by dividing each employers 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, 2023, the Academy's proportion was .00153952 percent, which was a decrease of .00058234 percent from its proportion measured as of October 1, 2022.

For the year ending June 30, 2024, the Academy recognized OPEB expense of (\$13,189). At June 30, 2024, 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
Differences between expected and actual experience	\$ -	\$ 65,810
Changes of Assumptions	19,388	2,335
Net difference between projected and actual earnings on OPEB plan investments	27	-
Changes in proportion and differences between Academy contributions and proportionate share of contributions	27,342	25,697
Academy contributions subsequent to the measurement date	9,262	-
Total	\$ 56,019	\$ 93,842

SUMMIT ACADEMY NORTH

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2024

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) - Continued

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, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended</u> <u>June 30,</u>	<u>Amount</u>
2024	\$ (13,381)
2025	(11,950)
2026	(3,591)
2027	(6,268)
2028	(7,657)
Thereafter	(4,238)

Actuarial Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the Academy 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 Academy 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, 2022
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75 %
Investment Rate of Return:	6.00% net of investment expenses
Projected Salary Increases (including wage inflation at 2.75%):	2.75 - 11.55 %
Healthcare Cost Trend Rate:	
	Pre-65: 7.75% Year 1 graded to 3.5% Year 15
	Post-65: 5.25% Year 1 graded to 3.5% Year 15

Mortality

Retirees: PubT-2010 Male and Female Retiree Mortality Tables, scaled by 116% for males and 116% for females and adjusted for mortality improvements using projection scale MP-2021 from 2010.

Active Members: PubT-2010 Male and Female Employee Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2021 from 2010.

SUMMIT ACADEMY NORTH

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2024

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) - Continued

Other Assumptions

Opt-Out Assumption: 21% of eligible participants hired before July 1, 2018 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 one or more dependents

Notes

Assumption changes as a result of an experience study for the periods 2017 through 2022 have been adopted by the System for use in the annual OPEB valuations beginning with the September 30, 2023 valuation. The total OPEB liability as of September 30, 2023, is based on the results of an actuarial valuation date of September 30, 2022, 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: 6.5099

Recognition period for assets in years: 5.0000.

Full actuarial assumptions are available in the 2023 MPSERS Annual Comprehensive Financial Report found in the OS 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, 2022, are summarized in the following table:

SUMMIT ACADEMY NORTH

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2024

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) - Continued

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Domestic Equity Pools	25.0 %	5.8 %
Private Equity Pools	16.0	9.6
International Equity	15.0	6.8
Fixed Income Pools	13.0	1.3
Real Estate and Infrastructure Pools	10.0	6.4
Absolute Return Pools	9.0	4.8
Real Return / Opportunistic Pools	10.0	7.3
Short Term Investment Pools	2.0	0.3
Total	100.0 %	

*Long-term rates of return are net of administrative expenses and 2.7% inflation.

Rate of Return

For the fiscal year ended September 30, 2023, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 7.94%. 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 6.00% 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 6.00%. 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 Academy 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 6.95%, 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 point higher:

SUMMIT ACADEMY NORTH

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2024

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) - Continued

1% Decrease	Current Discount Rate	1% Increase
5.00%	6.00%	7.00%
\$ 9,029	\$ (8,709)	\$ (23,953)

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	Current Healthcare Cost	1% Increase
	Trend Rate	
\$ (23,991)	\$ (8,709)	\$ 7,831

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued 2023 MPSERS CAFR, available on the ORS website at www.michigan.gov/orsschools.

NOTE 11 – INTERFUND TRANSFERS

During the normal course of the school year, the Academy transferred amounts between its major funds as follows:

	General	Debt Service
Transfer In	\$ -	\$ 1,560,175
Transfer Out	1,560,175	-

As stipulated by the Academy’s revenue bond agreement as described in Note 8, the Academy must transfer 20% of its state aid to a trustee. The trustee retains the required portion for debt service and returns the remainder to the Academy. Additionally funds were transferred to the capital projects fund for future facility improvements. These above transactions account for the major activity in the Academy’s interfund transfer accounts.

SUMMIT ACADEMY NORTH

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2024

NOTE 12 - RISK MANAGEMENT

The Academy is exposed to various risks of loss related to property loss, torts, errors and omissions. The Academy has purchased commercial insurance for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

SUPPLEMENTARY INFORMATION

SUMMIT ACADEMY NORTH

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2024

	Original Budget	Final Budget	Actual	Variance
Revenues				
Local sources	\$ 53,550	\$ 65,887	\$ 558,976	\$ 493,089
State sources	16,748,064	18,329,624	17,600,990	(728,634)
Federal sources	3,951,122	4,337,698	4,002,184	(335,514)
Interdistrict sources	703,585	937,164	863,908	(73,256)
Total general fund revenues	21,456,321	23,670,373	23,026,058	(644,315)
Expenditures				
Instruction				
Basic programs	6,523,588	6,706,010	6,565,285	(140,725)
Added needs	2,925,034	3,533,074	2,975,507	(557,567)
Support services				
Pupil support services	1,145,704	1,455,251	1,347,938	(107,313)
Instructional staff support services	1,545,594	2,147,619	2,031,709	(115,910)
General administration	1,085,323	1,030,491	1,072,311	41,820
School administration	1,791,775	1,915,477	1,877,000	(38,477)
Business support services	193,882	324,736	308,108	(16,628)
Operations and maintenance	1,883,740	1,788,835	1,600,092	(188,743)
Pupil transportation services	1,028,426	1,149,013	1,165,505	16,492
Central support services	979,905	1,050,368	1,123,667	73,299
Athletic activities	498,477	658,480	740,980	82,500
Community services	59,357	47,186	58,786	11,600
Capital outlay	-	1,365	1,049,756	1,048,391
Debt principal and interest	248,622	375,000	230,217	(144,783)
Total general fund expenditures	19,909,427	22,182,905	22,146,861	(36,044)
Excess (deficiency) of revenues over expenditures	1,546,894	1,487,468	879,197	(608,271)
Other Financing Sources (Uses)				
Proceeds from capital leases	-	80,392	755,794	675,402
Operating transfers out	(1,546,894)	(1,546,894)	(1,560,175)	(13,281)
Total other financing sources (uses)	(1,546,894)	(1,466,502)	(804,381)	662,121
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	-	20,966	74,816	53,850
Fund balance - July 1, 2023	3,223,227	3,223,227	3,223,227	-
Fund balance - June 30, 2024	\$ 3,223,227	\$ 3,244,193	\$ 3,298,043	\$ 53,850

SUMMIT ACADEMY NORTH

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF SUMMIT ACADEMY NORTH'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY MICHIGAN PUBLIC SCHOOL EMPLOYEE'S RETIREMENT SYSTEM DETERMINED AS OF THE PLAN YEAR ENDED SEPTEMBER 30, 2023

Schedule of Academy's Proportionate Share of the Net Pension Liability Determined As of 9/30 of Each Fiscal Year

	2023	2022	2021	2020	2019	2018	2017	2016
Academy's proportion of net pension liability (%)	0.00187220%	0.00187220%	0.0016660%	0.0014654%	0.0014369%	0.001465%	0.001484%	0.00137%
Academy's proportionate share of net pension liability	\$ 596,539	\$ 704,110	\$ 394,421	\$ 503,384	\$ 475,846	\$ 440,544	\$ 384,567	\$ 341,998
Academy's covered-employee payroll	\$ 148,610	\$ 205,878	\$ 159,360	\$ 128,114	\$ 122,240	122,490	\$ 122,239	\$ 126,610
Academy's proportionate share of net pension liability as a percentage of its covered- employee payroll	401%	342%	248%	393%	389%	360%	315%	270%
Plan fiduciary net position as a percentage of total pension liability	65.91%	60.77%	52.26%	59.72%	60.31%	62.36%	64.21%	63.27%

NOTES TO SCHEDULE:

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, governments should present information for those years which information is available.

SUMMIT ACADEMY NORTH

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF SUMMIT ACADEMY NORTH'S CONTRIBUTIONS MICHIGAN PUBLIC SCHOOL EMPLOYEE'S RETIREMENT SYSTEM DETERMINED AS OF THE YEAR ENDED JUNE 30, 2024

Schedule of the Academy's Contributions Determined as of 6/30 of Each Fiscal Year

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Statutorily required contributions	\$ 62,583	\$ 94,511	\$ 38,876	\$ 40,271	\$ 38,171	\$ 39,905	\$ 34,808	\$ 30,782
Contributions in relation to statutorily required contributions	<u>62,583</u>	<u>94,511</u>	<u>64,805</u>	<u>49,109</u>	<u>38,171</u>	<u>39,905</u>	<u>38,198</u>	<u>35,758</u>
Contribution deficiency/(excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (25,929)</u>	<u>\$ (8,838)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,390)</u>	<u>\$ (4,976)</u>
Academy's covered-employee payroll	\$ 148,610	\$ 163,128	\$ 196,110	\$ 153,893	\$ 122,240	\$ 123,240	\$ 122,239	\$ 122,239
Contributions as a percentage of covered-employee payroll	42.11%	57.94%	33.05%	31.91%	31.23%	32.38%	31.25%	29.25%

NOTES TO SCHEDULE:

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, governments should present information for those years which information is available.

SUMMIT ACADEMY NORTH

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF SUMMIT ACADEMY NORTH'S PROPORTIONATE SHARE OF THE NET OPEB
LIABILITY MICHIGAN PUBLIC SCHOOL EMPLOYEE'S RETIREMENT SYSTEM
DETERMINED AS OF THE PLAN YEAR ENDED SEPTEMBER 30, 2023

**Schedule of Academy's Proportionate Share of the Net OPEB Liability
Determined As of 9/30 of Each Fiscal Year**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Academy's proportion of net OPEB liability (%)	0.00212186%	0.00212186%	0.00180417%	0.00146697%	0.000141%
Academy's proportionate share of net OPEB liability	\$ -	\$ 44,942	\$ 27,538	\$ 78,589	\$ 101,336
Academy's covered-employee payroll	\$ 148,610	\$ 205,878	\$ 159,360	\$ 128,114	\$ 122,240
Academy's proportionate share of net OPEB liability as a percentage of its covered- employee payroll	0.00%	21.83%	17.28%	61.34%	82.90%
Plan fiduciary net position as a percentage of total OPEB liability	105.04%	83.09%	87.33%	59.44%	48.46%

NOTES TO SCHEDULE:

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, governments should present information for those years which information is available.

SUMMIT ACADEMY NORTH

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF SUMMIT ACADEMY NORTH'S OPEB CONTRIBUTIONS MICHIGAN PUBLIC SCHOOL EMPLOYEE'S RETIREMENT SYSTEM DETERMINED AS OF THE YEAR ENDED JUNE 30, 2024

Schedule of the Academy's Contributions Determined as of 6/30 of Each Fiscal Year

	2024	2023	2022	2021	2020
Statutorily required OPEB contributions	\$ 12,260	\$ 12,000	\$ 15,808	\$ 10,365	\$ 9,694
OPEB Contributions in relation to statutorily required contributions	12,260	12,000	15,808	11,650	9,694
Contribution deficiency/(excess)	\$ -	\$ -	\$ -	\$ (1,285)	\$ -
Academy's covered-employee payroll	\$ 148,610	\$ 163,128	\$ 196,110	\$ 153,893	\$ 122,240
OPEB Contributions as a percentage of covered-employee payroll	8.25%	7.36%	8.06%	7.57%	7.93%

NOTES TO SCHEDULE:

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, governments should present information for those years which information is available.

SUMMIT ACADEMY NORTH

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES FOR THE YEAR ENDED JUNE 30, 2024

Defined Benefit Pension Plan

Benefit Changes - See Note 9 to the financial statements for discussion of benefit terms and assumptions.

Changes in Assumptions - See Note 9 to the financial statements for discussion of benefit terms and assumptions.

Postemployment Benefits Other Than Pensions (OPEB)

Benefit Changes - See Note 10 to the financial statements for discussion of benefit terms and assumptions.

Changes in Assumptions - See Note 10 to the financial statements for discussion of benefit terms and assumptions.

SUMMIT ACADEMY NORTH

SUPPLEMENTARY INFORMATION COMBINING BALANCE SHEET – NON-MAJOR FUNDS JUNE 30, 2024

ASSETS

	Special Revenue			Total
	Food Services	Student Activities	Capital Projects	
Assets				
Investments	\$ -	\$ -	\$ 296,957	\$ 296,957
Due from other funds	25,855	87,876	288,635	402,366
Total assets	<u>\$ 25,855</u>	<u>\$ 87,876</u>	<u>\$ 585,592</u>	<u>\$ 699,323</u>

LIABILITIES AND FUND BALANCE

Fund Balance				
Restricted	<u>\$ 25,855</u>	<u>\$ 87,876</u>	<u>\$ 585,592</u>	<u>\$ 699,323</u>

SUMMIT ACADEMY NORTH

SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – NON-MAJOR FUNDS FOR THE YEAR ENDED JUNE 30, 2024

	Special Revenue			
	Food Services	Student Activities	Capital Projects	Total
Revenues				
Local sources	\$ 6,082	\$ 90,585	\$ 13,785	\$ 110,452
State sources	24,544	-	-	24,544
Federal sources	569,945	-	-	569,945
Total governmental fund revenues	600,571	90,585	13,785	704,941
Expenditures				
Support services				
Other student activities	-	119,467	-	119,467
Food services	657,954	-	-	657,954
Capital outlay	-	-	526,145	526,145
Total governmental fund expenditures	657,954	119,467	526,145	1,303,566
Excess (deficiency) of revenues over expenditures	(57,383)	(28,882)	(512,360)	(598,625)
Fund balance - July 1, 2023	83,238	116,758	1,097,952	1,297,948
Fund balance - June 30, 2024	<u>\$ 25,855</u>	<u>\$ 87,876</u>	<u>\$ 585,592</u>	<u>\$ 699,323</u>

SUMMIT ACADEMY NORTH

SCHEDULE OF REVENUES – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2024

Local Sources

Student activities	\$ 887
Other local revenues	<u>558,089</u>
Total local sources	558,976

State Sources

At risk	1,006,723
Great start readiness program	462,163
Special education	359,058
State aid	<u>15,773,046</u>
Total state sources	17,600,990

Federal Sources

IDEA	546,286
Title I	690,686
Title II A	76,566
Title III	13,776
Title IV	47,313
Other program revenue	<u>2,627,557</u>
Total federal sources	4,002,184

Interdistrict Sources

	<u>863,908</u>
Total general fund revenues	<u><u>\$ 23,026,058</u></u>

SUMMIT ACADEMY NORTH

SCHEDULE OF EXPENDITURES – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2024

Basic Programs

Purchased services	\$ 6,244,127
Repairs and maintenance	-
Supplies and materials	288,738
Other expenditures	32,420

Total basic programs 6,565,285

Added Needs

Purchased services	2,935,797
Other purchased services	400
Supplies and materials	38,930
Other expenditures	380

Total added needs 2,975,507

Pupil Support Services

Guidance services	55,365
Health services	95,837
Psychological services	114,165
Speech pathology and audiology	269,824
Social work services	624,513
Other pupil services	188,234

Total pupil support services 1,347,938

Instructional Staff Support Services

Salaries and benefits	138,443
Purchased services	744,442
Repairs and maintenance	692,677
Supplies and materials	456,147

Total instructional staff support services 2,031,709

General Administration

Salaries and benefits	258,064
Purchased services	335,983
Management fees	4,549
University oversight	452,868
Other expenditures	20,847

Total general administration 1,072,311

SUMMIT ACADEMY NORTH

SCHEDULE OF EXPENDITURES – GENERAL FUND - Continued FOR THE YEAR ENDED JUNE 30, 2024

School Administration

Purchased services	1,769,981
Supplies and materials	88,614
Non-depreciable capital assets	3,302
Other expenditures	15,103

Total school administration 1,877,000

Business Support Services

Purchased services	47,069
Other expenditures	261,039

Total business support services 308,108

Operations and Maintenance

Purchased services	991,828
Repairs and maintenance	205,323
Rentals	24,441
Supplies and materials	378,393
Other expenditures	107

Total operations and maintenance 1,600,092

Pupil Transportation Services

Purchased services	981,015
Repairs and maintenance	54,917
Supplies and materials	71,176
Other expenditures	6,096

Total pupil transportation services 1,165,505

Central Support Services

Purchased services	1,001,341
Supplies and materials	95,923
Other expenditures	26,403

Total central support services 1,123,667

SUMMIT ACADEMY NORTH

SCHEDULE OF EXPENDITURES – GENERAL FUND - Continued FOR THE YEAR ENDED JUNE 30, 2024

Athletic Activities

Purchased services	545,125
Supplies and materials	<u>195,855</u>
Total athletic activities	740,980

Community Services

Purchased services	38,552
Other purchased services	378
Supplies and materials	<u>19,856</u>
Total community services	58,786

Capital Outlay

1,049,756

Debt Principal and Interest

230,217

Total general fund expenditures	<u><u>\$ 22,146,861</u></u>
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APPENDIX

Federal Awards Report



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

**To the Board of Directors
of Summit Academy North**

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 (*Government Auditing Standards*), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Summit Academy North, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Summit Academy North's basic financial statements, and have issued our report thereon dated October 30, 2024.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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



Croskey Lanni, PC

Rochester, MI
October 30, 2024



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

**To the Board of Directors
of Summit Academy North**

**Report on Compliance for Each Major Federal Program
*Opinion on Each Major Federal Program***

We have audited Summit Academy North's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Summit Academy North's major federal programs for the year ended June 30, 2024. Summit Academy North's major federal programs are identified in the summary of Auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Summit Academy North complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of Summit Academy North and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Summit Academy North's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Summit Academy North's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Summit Academy North's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Summit Academy North's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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

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

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

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

A handwritten signature in blue ink, appearing to read "Crosby Lanni: PC".

Croskey Lanni, PC

Rochester, MI
October 30, 2024

SUMMIT ACADEMY NORTH

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2024

Program Title/Project Number Subrecipient Name	Grant/ Project Number	Federal ALN	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue at July 1, 2023	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2024	Current Year Cash Transferred To Subrecipient
Clusters:										
Child Nutrition Cluster - U.S. Department of Agriculture - Passed through Michigan Department of Education:										
National School Lunch Program:										
Noncash Assistance (Commodities) -										
National School Lunch Program Commodities 2023-2024	N/A	10.555	\$ 22,901	\$ -	\$ -	\$ -	\$ 20,844	\$ 20,844	\$ -	\$ -
Cash Assistance -										
National School Lunch Program 2023-2024	231960/ 241960	10.555	352,011	-	-	-	352,011	352,011	-	-
COVID-19 - Supply Chain Assistance 2024	240910	10.555	42,232	-	-	-	42,232	42,232	-	-
National School Lunch Program - After School Snack 2023-2024	241980	10.555	1,171	-	-	-	1,171	1,171	-	-
Total National School Lunch Program Cash and Noncash Assistance		10.555	418,315	-	-	-	416,258	416,258	-	-
National School Breakfast Program:										
National School Breakfast Program 2023-2024	231970/ 241970	10.553	121,013	-	-	-	121,013	121,013	-	-
Summer Food Service Program:										
Summer Food Service Program Operating 2023-2024	230900/ 240900	10.559	32,674	-	-	-	18,441	32,674	14,233	-
Total Child Nutrition Cluster			572,002	-	-	-	555,712	569,945	14,233	-
Special Education Cluster - U.S. Department of Education - Passed through the Wayne County RESA:										
IDEA Special Education – Formula Grants to ISDs:										
IDEA Flowthrough 2223	230450	84.027A	528,561	528,561	86,103	-	97,659	11,556	-	-
IDEA Flowthrough 2324	240450	84.027A	534,730	-	-	-	534,730	534,730	-	-
Total Special Education Cluster			1,063,291	528,561	86,103	-	632,389	546,286	-	-
Other Federal Awards:										
U.S. Department of Treasury - Passed Through the Michigan Department of Education:										
Grow Your Own – Coronavirus State and Local Fiscal Recovery Fund:										
COVID-19 - ARP Grow Your Own Program 20231	232423	21.027	2,441,410	-	-	-	156,764	173,164	16,400	-
U.S. Department of Education - Passed Through the Michigan Department of Education:										
Title I, Part A: Improving Basic Programs Operated by LEAS:										
Title I Part A 2223	231530	84.010A	711,438	605,272	30,372	-	30,372	-	-	-
Title I Part A 2324	241530	84.010A	708,825	-	-	-	549,270	650,686	101,416	-
Title I Part A Subtotal		84.010A	1,420,263	605,272	30,372	-	579,642	650,686	101,416	-

See accompanying notes to schedules of expenditures of federal awards

SUMMIT ACADEMY NORTH

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - Continued FOR THE YEAR ENDED JUNE 30, 2024

Program Title/Project Number Subrecipient Name	Grant/ Project Number	Federal ALN	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue at July 1, 2023	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2024	Current Year Cash Transferred To Subrecipient
Other Federal Awards (Continued):										
Passed Through the Calhoun ISD:										
Title I, Part A: Technical Assistance Grant (TAG):										
Title I Part A TAG 2022-2023	231580	84.010A	40,000	-	-	-	40,000	40,000	-	-
Total Title I Part A			1,460,263	605,272	30,372	-	619,642	690,686	101,416	-
Title V, Part B: Rural and Low Income Schools:										
Title V Part B 2223	230660	84.358B	48,937	46,935	4,772	-	4,772	-	-	-
Title V Part B 2324	240660	84.358B	52,440	-	-	-	-	40,593	40,593	-
Total Title V Part B		84.358B	101,377	46,935	4,772	-	4,772	40,593	40,593	-
Title II, Part A: Supporting Effective Instruction:										
Title II Part A 2223	230520	84.367	93,517	61,044	3,019	-	3,019	-	-	-
Title II Part A 2324	240520	84.367	101,326	-	-	-	69,418	76,566	7,148	-
Total Title II Part A		84.367	194,843	61,044	3,019	-	72,437	76,566	7,148	-
Title IV, Part A: Student Support and Academic Enrichment:										
Title IV Part A 2223	230750	84.424A	53,208	44,733	9,192	-	9,192	-	-	-
Title IV Part A 2324	240750	84.424A	56,355	-	-	-	36,663	47,312	10,649	-
Total Title IV Part A		84.424A	109,563	44,733	9,192	-	45,855	47,312	10,649	-
Education Stabilization Fund:										
COVID-19 - Education Equity – Elementary and Secondary School Emergency Relief (ESSER) 1920	203720	84.425D	79,772	79,772	-	32,274	32,274	-	-	-
COVID-19 - ARP Homeless II 2021	211014	84.425W	23,133	-	-	-	-	1,659	1,659	-
COVID-19 - ESSER III Formula – American Rescue Plan (ARP-ESSER) 2122	213713	84.425U	4,908,561	2,569,112	49,222	-	2,231,270	2,321,202	139,154	-
COVID-19 - ESSER II –Section 98c Per-Pupil Payments for Learning Loss 2223	213782	84.425D	85,977	74,013	74,013	-	85,977	11,964	-	-
Total Education Stabilization Fund		84.425	5,097,443	2,722,897	123,235	32,274	2,349,521	2,334,825	140,813	-
Passed Through the Wayne County RESA:										
Title III, Part A: English Language Acquisition:										
Title III Part A 2223	230580	84.365	5,722	5,722	5,722	-	5,722	-	-	-
Title III Part A 2324	240580	84.365	8,054	-	-	-	-	8,054	8,054	-
Total Title III Part A		84.365	13,776	5,722	5,722	-	5,722	8,054	8,054	-
Total U.S. Department of Education			6,977,265	3,486,603	176,312	32,274	3,097,949	3,198,036	308,673	-
U.S. Department of Health and Human Services -										
Passed Through the Wayne County RESA:										
MDHHS Health Resource Advocate (HRA) Funding:										
Health Resource Advocate Funding 2023-2024	N/A	93.323	46,702	-	-	-	30,878	46,702	15,824	-
Total Federal Awards			\$ 11,100,670	\$ 4,015,164	\$ 262,415	\$ 32,274	\$ 4,473,692	\$ 4,534,133	\$ 355,130	\$ -

See accompanying notes to schedules of expenditures of federal awards

SUMMIT ACADEMY NORTH

RECONCILIATION OF BASIC FINANCIAL STATEMENTS FEDERAL REVENUE AND RECEIVABLES WITH SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2024

Revenues to Expenditures

Revenue from federal sources - As reported on modified accrual financial statements
(includes all funds):

General fund	\$ 4,002,184
Special revenue fund - food services	<u>569,945</u>
Subtotal	4,572,129
Prior year unavailable revenue collected	<u>(37,996)</u>
Federal expenditures per the schedule of expenditures of federal awards	<u><u>\$ 4,534,133</u></u>

Receivables

Receivables from federal sources - As reported on financial statements	\$ 539,649
Timing difference between Michigan Department of Education payment per the Grant Auditor Report and Academy receipt	<u>(184,519)</u>
Federal receivables per the schedule of expenditures of federal awards	<u><u>\$ 355,130</u></u>

SUMMIT ACADEMY NORTH

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2024

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of Summit Academy North under programs of the federal government for the year ended June 30, 2024. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Summit Academy North, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Summit Academy North.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3 – INDIRECT COST RATE

Summit Academy North has elected to not use the 10-percent *de minimis* indirect cost rate allowed under the Uniform Guidance.

NOTE 4 - NONCASH ASSISTANCE

The value of the noncash assistance received was determined in accordance with the provisions of Uniform Guidance.

NOTE 5 - GRANT AUDITOR REPORT

Management has utilized the Grant Auditor Report in preparing the schedule of expenditures of federal awards. Unreconciled differences, if any, have been disclosed to the auditor.

NOTE 6 - ADJUSTMENTS AND TRANSFERS

During the year ended June 30, 2023, the Academy re-opened the previously filed Final Expenditure Report for the Education Equity – Elementary and Secondary School Emergency Relief (ESSER) grant to report \$32,274 in additional expenditures, however, the Academy did not record the related unavailable revenue and receivable. The revenue was recognized during the year ended June 30, 2024, as the cash was not collected within 60 days of the year ended June 30, 2024.

SUMMIT ACADEMY NORTH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2024

SECTION I - SUMMARY OF THE AUDITORS' RESULTS

Financial Statements

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

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(ies) identified that are not considered to be a material weakness(es)? ☐ yes ☒ none reported

Noncompliance material to financial statements noted? ☐ yes ☒ no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(ies) identified that are not considered to be a material weakness(es)? ☐ yes ☒ none reported

Type of auditors' report issued on compliance for major programs:

Unmodified

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

☐ yes ☒ no

Identification of major programs:

Assistance Listing Number(s)
84.425D, 84.425U, 84.425W

Name of Federal Program or Cluster
Education Stabilization Fund

Dollar threshold used to distinguish between Type A and Type B programs as described in 2 CFR section 200.518(b):

\$750,000

Auditee qualified as low-risk auditee?

☒ yes ☐ no

SECTION II – FINANCIAL STATEMENT FINDINGS

None

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None