Summit Academy

Financial Statements

June 30, 2016

Table of Contents

Summit Academy
Members of the Board of Directors and Administration
June 30, 2016

Members of the Board of Directors

Deborah Duyck	President
L.G. Almeda	Vice President
Kari Pardoe	Treasurer
Alex Garnepudi	Secretary
Matthew Pearsall	Director

Administration

Sally Racette	Principal
Leann Hedke	Superintendent

YEO & YEO
CPAs & Business Consultants

4468 Oak Bridge Drive
Flint, MI 48532
Phone (810) 732-3000 / (800) 899-4742
Fax (810) 732-6118

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Summit Academy, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Summit Academy, as of June 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Adoption of New Accounting Standards

As described in Note 1 to the financial statements, during the year ended June 30, 2016, the School District adopted GASB Statement No. 72, *Fair Value Measurement and Application,* No. 76*, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments,* No. 79*, Certain External Investment Pools and Pool Participants,* and No. 82*, Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No. 73, respectively.* Our opinions are not modified with respect to this matter.

Other Matters:

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 12, 2016 on our consideration of Summit Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Summit Academy's internal control over financial reporting and compliance.

Yeo & Yeo, P.C.

Flint, Michigan
September 12, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

Summit Academy is a K-8 Public School Academy located in Flat Rock, Michigan. This Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Summit Academy administration's discussion and analysis of the financial results for the fiscal year ended June 30, 2016.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Fund Financial Statements:

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

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

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

Academy-wide Financial Statements:

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

FINANCIAL ANALYSIS OF THE ACADEMY AS A WHOLE

Summary of Net Assets:
The following summarizes the net position at fiscal year ended June 30, 2016:

	2016
Assets	
Current Assets	$ 2,016,795
Capital Assets	5,594,125
Less: Accumulated Depreciation	(2,915,477)
Capital Assets, Net Book Value	2,678,648
Total Assets	4,695,443
Deferred Pension Expense	19,685
Total Assets & Deferred Outlows of Resources	$ 4,715,128
Liabilities	
Current Liabilities	$ 545,557
Long-term Liabilities	6,032,125
Total Liabilities	6,577,682
Deferred Net Pension Liability	5,162
Total Liablities & Deferred Inflows of Resources	$ 6,582,844
Net Position	
Invested in Capital Assets, Net of Related Debt (Deficit)	$ (3,107,664)
Restricted for Food Service	471,581
Restricted for Debt Service and Capital Projects	23,030
Unrestricted	745,337
Total Net Position	$ (1,867,716)

FINANCIAL ANALYSIS OF THE ACADEMY'S FUNDS

During the fiscal year ended June 30, 2016, the Academy's net assets increased by $297,070 as compared to a net decrease of $12,092 in the prior fiscal year. During 2014-15, The Academy implemented GASB 68 for which we are now showing a liability on the statement of net position for the Academy's portion of unfunded pension liability in the State pension system. As the Academy only has one direct employee, this is the only employee active in the system. The most significant difference between prior year and current year is the increase in instruction and instructional services. Additional factors affecting the change in net assets during the year are discussed below:

A. Results of Operations:

For the fiscal year ended June 30, 2016, the Academy wide results of operations were:

	2016 Amount	2016 % of Total
General Revenue:		
State of Michigan Aid - All Sources	$ 3,017,680	75.85%
Other	14,824	0.37%
Total General Revenue	3,032,504	76.22%
Program Revenue:		
Charges for Services	142,693	3.59%
Operating Grants - Federal and State	803,506	20.20%
Total Program Revenue	946,199	23.78%
Total Revenue	3,978,703	100.00%
Expenses:		
Instruction and Instructional Services	1,813,538	49.26%
Support Services	1,245,133	33.82%
Food Service	190,375	5.17%
Community Services	59,006	1.60%
Interest on Long-term Debt	373,581	10.15%
Total Expenses	3,681,633	100.00%
Increase (Decrease) in Net Position	$ 297,070	

B. State of Michigan Aid, Unrestricted

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

- Per Student, Foundation Allowance: Annually, the State of Michigan sets the per student foundation allowance. The Summit Academy foundation allowance was $7,391.
- Student Enrollment: The Academy's student enrollment for the fall count of 2015-16 was 408.49 students. To calculate total state aid to be provided by the foundation allowance, Section 25 adjustments continued where the funding follows the student was used. This means adjustments were made to the current year fall count until the current year winter count to get the adjusted fall count.

Subsequent to year end June 30, 2016, preliminary student enrollments for 2016 - 2017 indicate that the 2016 fall student enrollment may be less than 2015-16 levels.

C. General Fund Budgetary Highlights

General Fund Operations

The Academy's revenues from General Fund operations exceeded expenditures by $292,657 for the fiscal year ended June 30, 2016. The Academy continues to budget in order to positively impact the future of the youth in the Flat Rock and surrounding communities.

Final Budget vs. Actual

Fiscal Year	Final Budget	Final Actual
Revenues		
2013-2014	$ 3,936,566	$ 3,915,807
2014-2015	$ 4,031,105	$ 3,967,942
2015-2016	$ 3,821,390	$ 3,811,329
Expenditures		
2013-2014	$ 3,886,739	$ 3,813,693
2014-2015	$ 4,007,564	$ 3,914,462
2015-2016	$ 3,636,864	$ 3,518,672

Original vs. Final Budget

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

As a matter of practice, Summit Academy amends its budget periodically as needed during the school year. For the fiscal year 2015-16, the budget was amended in October 2015, November 2015 and June 2016. The June 2016 budget amendment was the final budget for the fiscal year. The Summit Academy Board does not budget for expenditures covered by grants or for the grant revenue until an award is received. The General Fund does budget for capital outlays in the original budget.

Change from Original to Final General Fund Budget

Revenues:

Total Revenues Original Budget	$ 3,987,723
Total Revenues Final Budget	3,821,390
Decrease in Budgeted Revenues	$ 166,333

The Academy's final general fund revenues were less than the final budget by $10,061 a variance of .26%. This variance was primarily a result of unspent state and federal grant allocations awarded to the Academy. Those allocations will be spent during the next fiscal year.

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

- Adjustment to actual grant allocations as estimates were used in the original budget.

Change from Original to Final General Fund Budget Continued

Expenditures:

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

Total Expenditures Original Budget	$ 3,959,283
Total Expenditures Final Budget	3,636,864
Decrease in Budgeted Expenditures	$ 322,419

The Academy's actual expenditures were less than final budget by $118,192 a variance of 3.25%. These savings were a result of the Academy's ability to control their spending.

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

A. Capital Assets

The Academy's capital assets decreased by $130,239 during the fiscal year. This can be summarized as follows:

	Beginning Balance 6/30/15	Additions	Disposals	Ending Balance 6/30/16
Non-Depreciable Captial Assets	$ 46,401	$ -	$ -	$ 46,401
Depreciable Capital Assets	5,520,442	27,282	-	5,547,724
Less: Accumulated Depreciation	(2,757,956)	(157,521)	-	(2,915,477)
Capital Assets	$ 2,808,887	$ (130,239)	$ -	$ 2,678,648

B. Depreciation Expense

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

For fiscal year ended June 30, 2016, the net increase in accumulated depreciation was $157,521.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Preliminary Budget for the 2016-17 Fiscal Year was adopted by the Board of Directors in June 2016. 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 2016-17 budget preparation process include:

- The State Aid foundation has been increased by $120 per pupil.
- Enrollment projections of 380 students in grades K-8;
- Continued improvement of academic achievement through changes in academic programs.

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

CONTACTING THE ACADEMY'S MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

Summit Academy
Statement of Net Position
June 30, 2016

	Governmental Activities
Assets	
Cash	$ 621,396
Accounts receivable	16,063
Due from other governmental units	712,639
Investments	602,069
Prepaid items	64,628
Capital assets not being depreciated	46,401
Capital assets - net of accumulated depreciation	2,632,247
Total assets	4,695,443
Deferred Outflows of Resources	
Deferred amount relating to the net pension liability	19,685
Total assets and deferred outflows of resources	4,715,128

See Accompanying Notes to the Financial Statements

Summit Academy
Statement of Net Position
June 30, 2016

	Governmental Activities
Liabilities	
Accounts payable	$ 95,470
State aid anticipation note payable	300,000
Due to agency fund activities	10,008
Accrued expenditures	103,777
Unearned revenue	36,302
Noncurrent liabilities	
Net pension liability	177,125
Due within one year	150,000
Due in more than one year	5,705,000
Total liabilities	6,577,682
Deferred Inflows of Resources	
Deferred amount on net pension liability	5,162
Total liabilities and deferred inflows of resources	6,582,844
Net Position	
Net investment in capital assets	(3,107,664)
Restricted for	
Debt service	471,581
Food service	23,030
Unrestricted	745,337
Total net position	$ (1,867,716)

Summit Academy
Statement of Activities
For the Year Ended June 30, 2016

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Functions/Programs				
Governmental activities				
Instruction	$ 1,813,538	$ 78,428	$ 561,154	$ (1,173,956)
Supporting services	1,245,133	-	99,027	(1,146,106)
Food services	190,375	21,369	143,325	(25,681)
Community services	59,006	42,896	-	(16,110)
Interest on long-term debt	373,581	-	-	(373,581)
Total governmental activities	$ 3,681,633	$ 142,693	$ 803,506	(2,735,434)
General revenues				
State aid - unrestricted				3,017,680
Interest and investment earnings				424
Other				14,400
Total general revenues				3,032,504
Change in net position				297,070
Net position - beginning				(2,164,786)
Net position - ending				$ (1,867,716)

Summit Academy
Governmental Funds
Balance Sheet
June 30, 2016

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash	$ 563,335	$ -	$ 58,061	$ 621,396
Accounts receivable	16,063	-	-	16,063
Due from other funds	35,031	-	-	35,031
Due from other governmental units	712,639	-	-	712,639
Investments	-	533,381	68,688	602,069
Prepaid items	62,993	-	1,635	64,628
Total assets	$ 1,390,061	$ 533,381	$ 128,384	$ 2,051,826
Liabilities				
Accounts payable	$ 95,470	$ -	$ -	$ 95,470
State aid anticipation note payable	300,000	-	-	300,000
Due to other funds	-	-	35,031	35,031
Due to agency fund activities	10,008	-	-	10,008
Accrued expenditures	41,977	-	-	41,977
Unearned revenue	36,302	-	-	36,302
Total liabilities	483,757	-	35,031	518,788
Fund Balance				
Non-spendable				
Prepaid items	62,993	-	1,635	64,628
Restricted for:				
Debt service	-	533,381		533,381
Food service	-	-	23,030	23,030
Capital projects	-	-	68,688	68,688
Unassigned	843,311	-	-	843,311
Total fund balance	906,304	533,381	93,353	1,533,038
Total liabilities and fund balance	$ 1,390,061	$ 533,381	$ 128,384	$ 2,051,826

See Accompanying Notes to the Financial Statements

Summit Academy
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2016

Total fund balances for governmental funds	$	1,533,038
Total net position for governmental activities in the statement of net position is different because		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Capital assets not being depreciated		46,401
Capital assets - net of accumulated depreciation		2,632,247
Deferred outflows (inflows) of resources		
Deferred outflows of resources resulting from the net pension liability		19,685
Deferred inflows of resources resulting from net pension liability		(5,162)
Certain liabilities are not due and payable in the current period and are not reported in the funds.		
Accrued interest		(61,800)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.		
Net pension liability		(177,125)
Bonds payable		(5,855,000)
Net position of governmental activities	$	(1,867,716)

See Accompanying Notes to the Financial Statements

Summit Academy
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2016

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Local sources	$ 121,432	$ 281	$ 21,404	$ 143,117
State sources	3,289,110	-	4,453	3,293,563
Federal sources	307,793	-	138,872	446,665
Interdistrict sources	95,358	-	-	95,358
Total revenues	3,813,693	281	164,729	3,978,703
Expenditures				
Current				
Education				
Instruction	1,750,467	-	-	1,750,467
Supporting services	1,184,018	-	-	1,184,018
Food services	-	-	181,031	181,031
Community services	59,006	-	-	59,006
Debt service				
Principal	150,000	-	-	150,000
Interest and other expenditures	375,181	-	-	375,181
Total expenditures	3,518,672	-	181,031	3,699,703
Excess (deficiency) of revenues over expenditures	295,021	281	(16,302)	279,000

Summit Academy
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2016

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
Other Financing Sources (Uses)				
Transfers in	$ (2,364)	$ -	$ -	$ (2,364)
Transfers out	-	(281)	2,645	2,364
Total other financing sources (uses)	(2,364)	(281)	2,645	-
Net change in fund balance	292,657	-	(13,657)	279,000
Fund balance - beginning	613,647	533,381	107,010	1,254,038
Fund balance - ending	$ 906,304	$ 533,381	$ 93,353	$ 1,533,038

See Accompanying Notes to the Financial Statements

Summit Academy
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2016

Net change in fund balances - Total governmental funds	$ 279,000
Total change in net position reported for governmental activities in the statement of activities is different because	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation expense	(157,521)
Capital outlay	27,282
Expenses are recorded when incurred in the statement of activities.	
Interest	1,600
The statement of net position reports the net pension liability and deferred outflows of resources and deferred inflows related to the net pension liability and pension expense. However, the amount recorded on the governmental funds equals actual pension contributions.	
Net change in net pension liability	(21,058)
Net change in the deferred inflow of resources related to the net pension liability	12,091
Net change between actual pension contributions and the cost of benefits earned net of employee contributions	5,676
Bond and note proceeds and capital leases are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are recorded as liabilities and amortized in the statement of activities. When debt refunding occurs, the difference in the carrying value of the refunding debt and the amount applied to the new debt is reported the same as regular debt proceeds or repayments, as a financing source or expenditure in the governmental funds. However, in the statement of net position, debt refunding may result in deferred inflows of resources or deferred outflows of resources, which are then amortized in the statement of activities.	
Repayments of long-term debt	150,000
Change in net position of governmental activities	$ 297,070

See Accompanying Notes to the Financial Statements

Summit Academy
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2016

	Agency Funds
Assets	
Due from other funds	$ 10,008
Liabilities	
Due to agency fund activities	$ 10,008

See Accompanying Notes to the Financial Statements

Note 1 - Summary of Significant Accounting Policies

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

Reporting Entity

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

The Academy has a contract with Central Michigan University to charter a public school academy. The contract requires the Academy to act exclusively as a governmental agency and not undertake any action inconsistent with its status as an entity authorized to receive state aid funds pursuant to the state constitution. The charter is the fiscal agent for the Academy and is responsible for overseeing the Academy's compliance with the contract and all applicable laws. The Academy pays three percent of state aid foundation as administrative fees. The total administrative fee paid during 2016 was $ 90,508.

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

Academy-wide Financial Statements

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

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

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

The net costs (by function) are normally covered by general revenue (state sources and federal sources, interest income, etc.). In creating the financial statements the Academy has eliminated interfund transactions.

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

Fund Financial Statements

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

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

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

The Academy reports the following major governmental funds:

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

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

Additionally, the Academy reports the following fund types:

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

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

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

Assets, Liabilities and Net Position or Equity

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

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

Capital Assets – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The Academy defines capital assets as assets with an initial individual cost in excess of $1,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The Academy does not have infrastructure assets. Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Adoption of New Accounting Standards
The Governmental Accounting Standards Board ("The GASB") has also issued Statement 72*, Fair Value Measurement and Application.* Statement 72 provides guidance for accounting and financial reporting issues related to fair value measurement. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

GASB No. 76*, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. Statement 76 is effective for the year ending June 30, 2016.

GASB No. 79*, Certain External Investment Pools and Pool Participants*, establishes criteria that, if met, permit external investment pools to elect to measure all of their investments at amortized cost for financial reporting purposes. Also, it establishes additional disclosure requirements for qualifying external investment pools that make that election and for governments that participate in such external investment pools. Statement 79 is effective for the year ending June 30, 2016.

GASB No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73* addresses certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. Statement 82 is effective for the year ending June 30, 2016.

Upcoming Accounting and Reporting Changes
Statement No. 74 *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* addresses the other postemployment benefits plans (OPEB) – defined benefit and defined contribution – administered through trusts. This Statement will improve the financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that will be presented by OPEB plans that are administered through trusts. This information will enhance the transparency by providing information about measures of net OPEB liabilities and explanations of how and why those liabilities changed from year to year. Statement No. 74 is effective for the fiscal year ending June 30, 2017.

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

GASB Statement No. 77, *Tax Abatement Disclosures* requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. The requirements of this Statement are effective for the fiscal year ending June 30, 2017.

GASB Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14* amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The requirements of this Statement are effective for the fiscal year ending June 30, 2017.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements.* The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. Statement No. 81 is effective for the fiscal year ending June 30, 2018.

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

Note 2 - Stewardship, Compliance, And Accountability

Budgetary Information

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

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

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

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

Excess of Expenditures over Appropriations

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

Function	Final Budget	Amount of Expenditures	Budget Variances
General Fund			
Business	54,672	56,131	1,459

Academy-Wide Deficits
The Academy has a net position deficit for Academy-Wide activities in the amount of $ 1,848,411 as of June 30, 2016. The deficit is due to the implementation of GASB 68 requiring the Academy to carry a portion of the net pension liability of the state on its academy wide statements. There are no governmental funds with a deficit.

Note 3 - Deposits and Investments

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

	Governmental Activities
Cash	$ 621,396
Investments	602,069
	$ 1,223,465

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

Deposits (checking, savings accounts, money markets, certificates of deposit)	$ 1,223,465

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

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

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

Custodial credit risk – deposits – In the case of deposits, this is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. The Academy does not have a deposit policy for custodial credit risk. As of year-end, $731,458 of the Academy's bank balance of $1,231,458 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk – investments – For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of year end, none of the academy's investments were exposed to custodial credit risk.

Note 4 - Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	$ 46,401	$ -	$ -	$ 46,401
Capital assets being depreciated				
Buildings and additions	4,242,005	-	-	4,242,005
Equipment and furniture	1,278,437	27,282	-	1,305,719
Total capital assets being depreciated	5,520,442	27,282	-	5,547,724
Total accumulated depreciation	2,757,956	157,521	-	2,915,477
Net capital assets being depreciated	2,762,486	(130,239)	-	2,632,247
Net capital assets	$ 2,808,887	$ (130,239)	$ -	$ 2,678,648

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

Governmental activities	
Instruction	$ 88,504
Supporting services	59,864
Food services	9,153
Total governmental activities	$ 157,521

Note 5 - Interfund Receivable and Payable and Transfers

Individual interfund receivable and payable balances at year end were:

Due From	Due to	Amount
Lunch Fund	General Fund	$ 35,031

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

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

Interfund transfers were made during the year, between the General Fund and the Debt Fund totaling $281. These transfers were made to cover interest earned. Interfund transfers were made during the year, between the General Fund and the Capital Project Fund totaling $2,645.

Note 6 - Unearned Revenue

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

	Unearned
Grant and categorical aid payments received prior to meeting all eligibility requirements	$ 36,302

Note 7 - State Aid Anticipation Note

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

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

	Beginning Balance	Proceeds	Repayments	Ending Balance
State aid anticipation note	$ 361,819	$ 300,000	$ 361,819	$ 300,000

Note 8 - Long-Term Debt

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

Long-term obligation activity is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Revenue bonds	$ 6,005,000	$ -	$ 150,000	$ 5,855,000	$ 150,000

Revenue bonds consist of the following:

Revenue bonds due in annual installments of between $150,000 and $490,000 through October 1, 2035, interest due twice a year at an average rate of 6.25%	$ 5,855,000

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

	Principal	Interest	Total
Year Ending June 30,			
2017	$ 150,000	$ 365,994	$ 515,994
2018	160,000	356,306	516,306
2019	180,000	345,681	525,681
2020	190,000	334,119	524,119
2021	195,000	322,088	517,088
2022 - 2026	1,185,000	1,404,500	2,589,500
2027 - 2031	1,610,000	966,130	2,576,130
2032 - 2033	2,185,000	365,129	2,550,129
Total	$ 5,855,000	$ 4,459,947	$ 10,314,947

The revenue bonds are payable from the General Fund. The Academy uses the Debt Service Fund to maintain future debt requirements. As of year end, the fund had a balance of $533,381 to pay this debt. Future debt and interest will be payable from future unrestricted state aid. Interest expenditures for the fiscal year in the General Fund and Debt Service Fund were $ 21,459 and $ 375,181, respectively.

Note 9 - Pension Plans and Post-Employment Benefits

Organization

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

The System 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 at www.michigan.gov/mpsers-cafr.

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 for DB plan members are determined by final average compensation and years of service, and a pension factor ranging from 1.25 percent to 1.50 percent. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

A DB member or Pension Plus plan member who leaves Michigan public school employment may request a refund of his or her member contributions to the retirement system account. 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 and Funding Status

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, 2015 valuation will be amortized over a 21 year period for the plan's 2015 fiscal year. The schedule below summarizes pension contribution rates in effect for fiscal year 2015.

Pension Contribution Rates

Benefit Structure	Member	Employer
Basic	0.0 - 4.0%	22.52 - 23.07%
Member Investment Plan	3.0 - 7.0	22.52 - 23.07
Pension Plus	3.0 - 6.4	21.99
Defined Contribution	0.0	17.72 - 18.76

Required contributions to the pension plan from the Academy were $ 13,990 for the year ending September 30, 2015.

Net Pension Liability
June 30, 2016, the Academy reported a liability of $ 177,125 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2014. The Academy's proportionate share of the net pension liability was based on statutorily required contributions in relation to all employers' statutorily required contributions for the measurement period. At September 30, 2015, the Academy's proportionate share percent was .0007 percent, which was no change since the prior measurement date.

Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions
For the year ended June 30, 2016, the Academy recognized total pension expense of $ 15,780. The Academy's actual contributions for the years ended June 30, 2016, 2015, and 2014 and were approximately $ 11,500, $ 10,500, and $ 10,000, respectively.

At June 30, 2016, 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
Difference between expected and actual experience	$ -	$ (587)
Changes in assumptions	4,361	-
Net difference between projected and actual earnings on pension plan investments	904	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	3,101	(93)
Employer contributions subsequent to the measurement date	11,319	(4,482)
	$ 19,685	$ (5,162)

$ 11,319 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. $ 4,482 reported as deferred inflows of resources relating to pensions resulting from employer contributions subsequent to the measurement date are 147c revenues received that will be recognized in the year ended June 30, 2017 when the related payments reduce the net pension liability. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Plan Year Ending September 30		Amount:
2016	$	1,306
2017		1,306
2018		1,070
2019		4,004
Total	$	7,686

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions:

- Valuation Date: September 30, 2014
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 3.5%
- Investment Rate of returns:
  - o MIP and Basic Plans (Non-Hybrid): 8.0%
  - o Pension Plus Plan (Hybrid): 7.0%
- Projected Salary Increases: 3.5-12.3%, including wage inflation at 3.5%
- Cost-of-Living Pension Adjustments: 3% Annual Non-Compounded for MIP Members
- Healthcare Cost Trend Rate: 8.5% Year 1 graded to 3.5% Year 12
- Mortality: RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. This assumption was first used for the September 30, 2014 valuation of the System. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.

Assumption changes as a result of an experience study for the periods 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation, and rolled forward using generally accepted actuarial procedures, including the experience study. The recognition period for liabilities is the average of the expected remaining service lives of all employees in years: (4.7158 for non-university employers). The recognition period for assets in years is 5.0000. Full actuarial assumptions are available in the 2015 MPSERS Comprehensive Annual Financial Report (CAFR) (www.michigan.gov/mpsers-cafr).

Long-Term Expected Return on Plan Assets
The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2015, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.0 %	5.9
Alternative Investment Pools	18.0	9.2
International Equity	16.0	7.2
Fixed Income Pools	10.5	0.9
Real Estate and Infrastructure Pools	10.0	4.3
Absolute Return Pools	15.5	6.0
Short Term Investment Pools	2.0	0.0
	100.0%	

*Long term rate of return does not include 2.1% inflation

Discount Rate
A discount rate of 8.0% was used to measure the total pension liability (7.0% for the Pension Plus plan, a hybrid plan). This discount rate was based on the long- term expected rate of return on pension plan investments of 8.0% (7.0% for the Pension Plus plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially-determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Academy's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate
The following presents the Academy's proportionate share of the net pension liability, calculated using a discount rate of 8.0% (7.0% for the Pension Plus 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-point higher:

1% Decrease (Non-Hybrid/Hybrid)* 7.0% / 6.0%	Current Single Discount Rate Assumption (Non-Hybrid/Hybrid)* 8.0% / 7.0%	1% Increase (Non-Hybrid/Hybrid)* 9.0% / 8.0%
$ 228,360	$ 177,125	$ 133,933

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

Fiduciary Net Position
Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS CAFR. See the 2015 MPSERS CAFR (www.michigan.gov/mpsers-cafr).

Payables to the Pension Plan
There were no significant payables to the pension plan that are not ordinary accruals to the academy.

Post-Employment Benefits
In addition to the pension benefits described above, state law requires the Academy to provide post-employment healthcare benefits for eligible retirees and beneficiaries through the Michigan Public School Employees Retirement System (MPSERS).

The 2012 Retirement Reform included changes to retiree healthcare benefits. New employees hired after the effective date who elect this benefit are enrolled in the defined contribution Personal Healthcare Fund. This establishes a portable tax-deferred account in which the participant contributes up to 2% of their salary, and receives up to a 2% employer match. These funds can be used to pay for healthcare expenses in retirement.

Employees working prior to the enactment of the 2012 Retirement Reform have two options: (a) the Personal Healthcare Fund, or (b) the defined benefit Premium Subsidy benefit.

Employees electing the defined benefit Premium Subsidy benefit contribute 3% of their compensation, and the employer contributes an actuarially determined percent of payroll for all participants. Upon retirement members receive a premium subsidy towards health, dental and vision insurance. The subsidy is a percent of the premium cost, with the percentage varying based on several factors.

For the periods July 1, 2015 through September 30, 2015, and October 1, 2015 through June 30, 2016, the employer contribution rate ranged from 2.20% to 2.71% and 6.40% to 6.83%, respectively.

The Academy's actual contributions match the required contributions for the years ended June 30, 2016, 2015, and 2014 and were approximately $ 3,000, $ 1,600, and $ 1,300, respectively.

Unfunded Accrued Liability
During the year ending June 30, 2016, the Academy had contributions in the amount of $ 6,900 to the MPSERS. This amount represents the additional employer contributions attributed to the unfunded accrued actuarial liability (UAAL) rate, which was approximately 10.53% for the year ending June 30, 2016.

Note 10 - Risk Management

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

Note 11 - Contingent Liabilities

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

Note 12 - Management Company

In July 2013, the Academy entered into a management with MEP Services. Under the terms of this agreement, MEP Services provides a variety of services including business and human resource services. The Academy is obligated to pay MEP Services 1.00% of its applicable revenues from state governments for financial services and 1.75% of total gross salary and wages for human resource services. The total paid for these services amounted to approximately, $82,390 for the year ended June 30, 2016.

REQUIRED SUPPLEMENTARY INFORMATION

Summit Academy
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2016

	Budgeted Amounts			
	Original	Final	Actual	Over (Under) Budget
Revenues				
Local sources	$ 133,480	$ 95,200	$ 121,432	$ 26,232
State sources	3,502,767	3,314,171	3,289,110	(25,061)
Federal sources	285,626	326,097	307,793	(18,304)
Interdistrict sources	65,600	85,672	95,358	9,686
Total revenues	3,987,473	3,821,140	3,813,693	(7,447)
Expenditures				
Instruction				
Basic programs	1,396,090	1,303,800	1,281,095	(22,705)
Added needs	522,615	489,904	469,372	(20,532)
Supporting services				
Pupil	150,775	156,215	153,521	(2,694)
Instructional staff	174,007	76,593	70,220	(6,373)
General administration	274,115	224,115	206,563	(17,552)
School administration	327,745	312,775	306,149	(6,626)
Business	65,122	54,672	56,131	1,459
Operations and maintenance	306,848	283,246	254,296	(28,950)
Pupil transportation services	18,500	18,500	18,500	-
Central	125,017	126,579	118,638	(7,941)
Community services	68,268	60,284	59,006	(1,278)
Debt service				
Principal	150,000	150,000	150,000	-
Interest and fiscal charges	375,181	375,181	375,181	-
Total expenditures	3,954,283	3,631,864	3,518,672	(113,192)
Excess (deficiency) of revenues over expenditures	33,190	189,276	295,021	105,745

Summit Academy
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2016

	Budgeted Amounts			Over (Under)
	Original	Final	Actual	Budget
Other Financing Sources (Uses)				
Transfers in	$ 250	$ 250	$ (2,364)	$ (2,614)
Transfers out	(5,000)	(5,000)	-	5,000
Total other financing sources (uses)	(4,750)	(4,750)	(2,364)	2,386
Net change in fund balance	28,440	184,526	292,657	108,131
Fund balance - beginning	613,647	613,647	613,647	-
Fund balance - ending	$ 642,087	$ 798,173	$ 906,304	$ 108,131

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

	June 30,									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
A. Reporting unit's proportion of net pension liability (%)	0.00070%	0.00070%								
B. Reporting unit's proportionate share of net pension liability	$ 177,125	$ 156,067								
C. Reporting unit's covered-employee payroll	$ 60,000	$ 60,000								
D. Reporting unit's proportionate share of net pension liability as a percentage of its covered- employee payroll	295.21%	260.11%								
E. Plan fiduciary net position as a percentage of total pension liability	63.17%	66.20%								

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

		For the Years Ended June 30,									
		2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
A.	Statutorily required contributions	$ 13,990	$ 11,044								
B.	Contributions in relation to statutorily required contributions	13,990	11,044								
C.	Contribution deficiency (excess)	$ -	$ -								
D.	Reporting unit's covered-employee payroll	60,000	60,000								
E.	Contributions as a percentage of covered-employee payroll	23.32%	18.41%								

Notes:
Benefit changes - There were no changes of benefit terms in 2015-16.
Changes in assumptions - There were no changes of benefit assumptions in 2015-16.

OTHER SUPPLEMENTARY INFORMATION

Summit Academy
Other Supplementary Information
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2016

	Special Revenue Fund	Capital Projects Fund	
	Food Service	Capital Projects	Total Nonmajor Governmental Funds
Assets			
Cash	$ 58,061	$ -	$ 58,061
Investments	-	68,688	68,688
Prepaid items	1,635	-	1,635
Total assets	$ 59,696	$ 68,688	$ 128,384
Liabilities			
Due to other funds	$ 35,031	$ -	$ 35,031
Fund Balance			
Non-spendable			
Prepaid items	1,635	-	1,635
Restricted for:			
Food service	23,030	-	23,030
Capital projects	-	68,688	68,688
Total fund balance	24,665	68,688	93,353
Total liabilities, deferred inflows of resources, and fund balance	$ 59,696	$ 68,688	$ 128,384

Summit Academy
Other Supplementary Information
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2016

	Special Revenue Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
	Food Service	Capital Projects	
Revenues			
Local sources	$ 21,369	$ 35	$ 21,404
State sources	4,453	-	4,453
Federal sources	138,872	-	138,872
Total revenues	164,694	35	164,729
Expenditures			
Current			
Education			
Food services	181,031	-	181,031
Excess (deficiency) of revenues over expenditures	(16,337)	35	(16,302)
Other Financing Sources (Uses)			
Transfers in	-	2,645	2,645
Net change in fund balance	(16,337)	2,680	(13,657)
Fund balance - beginning	41,002	66,008	107,010
Fund balance - ending	$ 24,665	$ 68,688	$ 93,353

OTHER REPORT

YEO & YEO
CPAs & BUSINESS CONSULTANTS

4468 Oak Bridge Dr.
Flint, MI 48532
Phone (810) 732-3000
Fax (810) 732-6118

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Independent Auditors' Report

Management and the Board of Directors
Summit Academy

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Summit Academy as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Summit Academy's basic financial statements, and have issued our report thereon dated September 12, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Yeo & Yeo, P.C.

Flint, MI
September 12, 2016