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September 25, 2017

Management and the Board of Directors
Summit Academy
Detroit, Michigan

We have completed our audit of 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, 2017, and have issued our report dated September 25, 2017. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America, *Government Auditing Standards* and Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated March 31, 2017. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the School District are described in Note 1 of the financial statements. We noted no transactions entered into by the Academy during the year where there is lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statement in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the Summit Academy's financial statements were:

- The useful lives of its capital assets. Useful lives are estimated based on the expected length of time during which the asset is able to deliver a given level of service.

- Net pension liability, and related deferred outflows of resources and deferred inflows of resources. The estimate is based on an actuarial report.

We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole and free from bias.

Disclosures in the financial statements are neutral, consistent and clear.

Accounting Standards
The Governmental Accounting Standards Board has released the following Statements:

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

Statement No. 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.

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

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

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

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

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

Regulatory and Other Updates

Cybersecurity Posture
Cybersecurity posture, an overall measure of cybersecurity strength, is more prevalent than ever as organizations continue to face cybersecurity risks. Billions of emails are sent every day, some of which contain attachments with malicious files or malicious embedded links aimed at negatively impacting unsuspecting organizations. A recent study showed as many as four out of five U.S. companies have

suffered from an attack. Not only can a successful attack cost thousands of dollars and put a strain on IT resources while remediation efforts are underway, but sensitive information may be breached.

Risk assessment is a first step in mitigating cybersecurity risks and improving your School District's overall cybersecurity posture. The National Institute of Standards and Technology published *Framework for Improving Critical Infrastructure Cybersecurity*, which "enables organizations, regardless of size, degree of cybersecurity risk, or cybersecurity sophistication, to apply the principles and best practices of risk management to improving the security and resilience of critical infrastructure." The framework is designed to cover five areas including identification, protection, detection, responsiveness and recovery. The publication can be found at www.nist.gov.

Placing significant emphasis on evaluating your School District's cybersecurity posture, and channeling sufficient resources towards proper risk assessment, implementation, and education will reduce the likelihood of a cybersecurity threat, and help lessen the impact of a breach.

Audit and FID Submission Deadline

The deadline to submit the Financial Information Database (FID) and school district financial audits will be November 1st. This will continue to be the deadline for future fiscal years as it is now State Law.

Uniform Grant Guidance (Super Circular)

In December 2013, the Federal Office of Management and Budget (OMB) issued final guidance on administrative requirements. The Guidance supersedes and streamlines requirements from OMB Circulars A-21, A-87, A-110, A-122, A-89, A-102 and A-133 and the guidance in Circular A-50 on Single Audit Act follow-up. School districts implemented the new administrative requirements and Cost Principles for all new federal grants awarded after December 26, 2014, and to additional funding to existing awards (referred to as funding increments) made after that date. EDGAR is the source for guidance that school districts will follow. Additional information and resources are available at the following websites:

- OMB http://www.whitehouse.gov/omb/grants_docs
- Council on Federal Assistance Reform (COFAR) https://cfo.gov/cofar/
- US Department of Education http://1.usa.gov/1rzFswz
- EDGAR http://1.usa.gov/1pOUq2p
- MDE http://www.michigan.gov/mde/0,4615,7-140-5236_76204---,00.html

Implementation of Federal Grant Procurement Standards is Delayed

In May 2017, the federal government granted an additional one-year delay for implementation of the procurement standards under the Uniform Guidance. The grace period now extends through December 25, 2017. Therefore, entities with fiscal years beginning on or after December 26, 2017 must have procurement standards, for federal expenditures, that meet the more stringent requirements of 2 CFR 200.317 to 326. For academy, it will apply to fiscal year 2019 and therefore, must be in place starting July 1, 2018. If your academy did not previously adopt and implement procurement policies and procedures in accordance with 2 CFR 200, you should go through the appropriate channels to elect and document usage of the additional grace period year. The grace period decision and documentation should go through the same process as the adoptions of procurement policies. It is imperative that your procurement policies – whatever they are documented as – be followed. The Uniform Guidance and the old guidance in the OMB Circulars provide minimum requirements that must be covered by an entity's procurement policies. If an entity's policies are stricter than the federal rules, the entity policies still must be followed. As you adopt new procurement policies, we also recommend that you consider separate policies for federal and non-federal expenditures to ease the administrative burden of certain federal requirements.

Fiscal Year (FY) 2018 School Aid

The School Aid budget for FY 2018 was not signed until late July. Following are some significant highlights of the bill:

• The per pupil Foundation Grants for FY 2018 will increase by a range of $60 to $120 using the “2X formula.” The increase will be added to the FY 2017 foundation grant resulting in the lowest foundation for FY 2018 being $7,631 and the maximum state guaranteed foundation being $8,289.
• The Pupil Membership Blend will remain at 90% of the current school year October count and 10% of the prior school year February count.
• The Section 31a At-Risk funding is increased by $120,011,800 to $499,000,000. Eligibility is expanded from free lunch eligible pupils to include pupils eligible for reduced price lunch, TANF, SNAP, or migrant, homeless, or pupils in foster care. Hold Harmless and Out of Formula districts are now eligible, but will be capped at 30% of the per pupil allowance. Districts that are currently eligible would receive approximately $777 per pupil and newly eligible districts would receive approximately $233 per pupil.

- The per pupil funding under Sections 20f(2) and 20f(4) will be equal to the per pupil funding under those Sections in 2016-17.
- Section 147c is reduced by approximately $22.0 million to reflect higher rates of return on investments.
- Shared Time Instruction for Nonpublic and Homeschool Pupils Section 23f caps the maximum FTE for which a nonpublic school pupil may be counted in a shared-time program at 0.75 FTE per pupil.

Boilerplate changes include:

- A New Section 160 has been added which requires districts seeking a waiver to begin the school year before Labor Day to hold a public hearing with the MDE in the district before the waiver can be granted.
- A New Section 164g has been added which imposes a penalty on any district using State Aid funds to pay expenses related to legal action against the state.
- A New Section 164h has been added to state that there will be a state school aid penalty for a district or ISD that enters into a collective bargaining agreement that fails to comply with requirements including prohibitions on the automatic deduction of union dues from payroll and racial or religious preferences in hiring.

Early Warning

Pursuant to Public Act 109 of 2015, each school district and public school academy that has a General Fund balance less than 5% of total unrestricted general revenue for either of the 2014-2015 or 2015-2016 school fiscal years is required to submit budget assumptions to the Center for Educational Performance and Information (CEPI). The budget assumption data collection period begins June 1, 2017 and is open through July 7, 2017. The Department of Treasury will not declare potential fiscal stress based solely on a school district’s or public school academy’s budget assumption data.

Uniform Budgeting and Accounting Act (UBAA)

The UBAA establishes budget and accounting requirements for local governments and school districts, including public school academies. It also establishes oversight requirements for MDE as well as the Michigan Attorney General. Material violations of the UBAA, including but not limited to General Fund deficits, should be reported as financial statement findings in the audit report. UBAA states that if it becomes apparent during the year that the probable revenues will be less than the budgeted revenues, the fiscal officer shall present recommendations to the legislative body which, if fiscal adopted, would prevent expenditures from exceeding available revenues for the fiscal year. UBAA states that an officer of the school district shall not incur expenditures against an appropriation account in excess of the amount appropriated by the board. Noncompliance includes, but is not limited to, over-expending the budget authorized by the board. MDE is analyzing the General Fund only, and at the total revenues, expenditures and financing sources (uses) levels, rather than at the line item level. MDE has stated a 0% tolerance for UBAA noncompliance.

Unclaimed Property
Beginning in 2018, the State of Michigan will require the filing of zero balance reports for businesses and governmental agencies who hold property on behalf of others, such as uncashed payroll or vendor checks and other items comprising unclaimed property. This is a revision from the most recent change in 2012, which only encouraged, but did not require, reporting of zero unclaimed property situations. Under the negative attestation requirement, businesses and governmental agencies must ensure they are filing even in situations where entities have no unclaimed property.

Current rules require unclaimed property to be identified as of March 31st of each year and reported to the State on or before July 1. Property that has reached its applicable dormancy period (generally one year or three years) as of March 31 must be remitted with and reported on Michigan State Form 2011, *Michigan Holder Transmittal for Annual Report of Unclaimed Property* and the appropriate annual reporting form (there are separate forms for cash & safe deposit boxes and for securities). If the holder (business or government entity) has more than ten items to report, they must use electronic media for the annual report. The due date for this filing is July 1 (or the next work day if the 1st is on a weekend).

These rules remain unchanged, except that beginning in 2018, the negative attestation requirement will go into effect. Free software is available on the State of Michigan web site at http://www.michigan.gov/treasury/. The web site is a valuable resource for information regarding the law, filing requirements and related penalties, including the 33 page *Manual for Reporting Unclaimed Property*.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require that the auditor accumulate all known and likely misstatements identified during the audit, other than those the auditor believes to be trivial, and communicate them to the appropriate level of management. There were no misstatements detected as a result of audit procedures that were more than trivial.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction that could be significant to the financial statements or the auditors' report. We are pleased to report we had no disagreements with management during the audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated as of the date of the audit report.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Academy's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Academy's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Reports

Other information that is required to be reported to you is included in the: 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*. Please read all information included in that report to ensure you are aware of relevant information.

Report on Required Supplementary Information

With respect to the required supplementary information accompanying the financial statements, which includes management's discussion and analysis, schedule of the school district's proportionate share of the net pension liability, schedule of the school district's contributions, and budgetary comparison information, we 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 regarding 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 discussed these matters with various personnel in the Academy during the audit and have already met with management. We would also be pleased to meet with you to discuss these matters at your convenience.

Restriction on Use

These communications are intended solely for the information and use of management, the Board of Directors, and others within the Academy, and are not intended to be and should not be used by anyone other than those specified parties.

Yeo & Yeo, P.C.

Flint, Michigan

Summit Academy

Financial Statements

June 30, 2017

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Members of the Board of Directors

Deborah Duyck	President
Kari Pardoe	Treasurer
Alex Garnepudi	Secretary

Administration

Sally Racette	Principal
Leann Hedke	Superintendent

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Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Summit Academy, as of and for the year ended June 30, 2017, 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, 2017, 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.

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 academy's proportionate share of the net pension liability, and schedule of the academy'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 25, 2017 on our consideration of Summit Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion the on effectiveness of Summit Academy's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Summit Academy's internal control over financial reporting and compliance.

Yeo & Yeo, P.C.

Flint, Michigan
September 25, 2017

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, 2017.

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, 2017:

	2017
Assets	
Current Assets	$ 1,912,509
Capital Assets	5,602,194
Less: Accumulated Depreciation	(3,075,784)
Capital Assets, Net Book Value	2,526,410
Total Assets	4,438,919
Deferred Pension Expense	15,027
Total Assets & Deferred Outlows of Resources	$ 4,453,946
Liabilities	
Current Liabilities	$ 420,964
Long-term Liabilities	5,802,669
Total Liabilities	6,223,633
Deferred Net Pension Liability	64,429
Total Liablities & Deferred Inflows of Resources	$ 6,288,062
Net Position	
Invested in Capital Assets, Net of Related Debt (Deficit)	$ 387,887
Restricted for Food Service	1,397
Restricted for Debt Service and Capital Projects	473,081
Unrestricted	(2,696,481)
Total Net Position	$ (1,834,116)

FINANCIAL ANALYSIS OF THE ACADEMY'S FUNDS

During the fiscal year ended June 30, 2017, the Academy's net assets increased by $33,600 as compared to a net increase of $296,150 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 and the decrease in State Aid due to declining enrollment. Additional factors affecting the change in net assets during the year are discussed below:

A. Results of Operations:

For the fiscal year ended June 30, 2017, the Academy wide results of operations were:

	2017	
	Amount	% of Total
General Revenue:		
State of Michigan Aid - All Sources	$ 2,568,384	75.93%
Other	15,445	0.46%
Total General Revenue	2,583,829	76.39%
Program Revenue:		
Charges for Services	130,817	3.87%
Operating Grants - Federal and State	667,768	19.74%
Total Program Revenue	798,585	23.61%
Total Revenue	3,382,414	100.00%
Expenses:		
Instruction and Instructional Services	1,560,393	46.60%
Support Services	1,208,403	36.08%
Food Service	169,766	5.07%
Community Services	45,759	1.37%
Interest on Long-term Debt	364,493	10.88%
Total Expenses	3,348,814	100.00%
Increase (Decrease) in Net Position	$ 33,600	

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 $7,511.
- Student Enrollment: The Academy's student enrollment for the fall count of 2016-17 was 339.06 students. To calculate total state aid to be provided by the foundation allowance, Section 25 adjustments continued, where the funding follows the student. This means adjustments were made to the current year fall count until the current year winter count to get the adjusted fall count.

Subsequent to year end June 30, 2017, preliminary student enrollments for 2017 - 2018 indicate that the 2017 fall student enrollment may be less than 2016-17 levels.

C. General Fund Budgetary Highlights

General Fund Operations

The Academy's revenues from General Fund operations exceeded expenditures by $49,719 for the fiscal year ended June 30, 2017. The Academy continues to budget in order to positively impact the future of the youth in the Flat Rock and surrounding communities.

Final Budget vs. Actual

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

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 2016-17, the budget was amended in November 2016 and June 2017. The June 2017 budget amendment was the final budget for the fiscal year. The Summit Academy Board does not budget for expenditures covered by grants or for the grant revenue until an award is received.

Change from Original to Final General Fund Budget

Revenues:

Total Revenues Original Budget	$ 3,588,834
Total Revenues Final Budget	3,300,325
Decrease in Budgeted Revenues	$ 288,509

The Academy's final general fund revenues were less than the final budget by $56,834 a variance of 1.72%. This variance was primarily a result of unspent federal grant allocations awarded to the Academy. Those allocations will be spent during the next fiscal year.

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

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

Change from Original to Final General Fund Budget Continued

Expenditures:

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

Total Expenditures Original Budget	$ 3,565,268
Total Expenditures Final Budget	3,300,062
Decrease in Budgeted Expenditures	$ 265,206

The Academy's actual expenditures were less than final budget by $97,879 a variance of 2.97%. 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 $152,238 during the fiscal year. This can be summarized as follows:

	Beginning Balance 6/30/16	Additions	Disposals	Ending Balance 6/30/17
Non-Depreciable Captial Assets	$ 46,401	$ -	$ -	$ 46,401
Depreciable Capital Assets	5,547,724	8,069	-	5,555,793
Less: Accumulated Depreciation	(2,915,477)	(160,307)	-	(3,075,784)
Capital Assets	$ 2,678,648	$ (152,238)	$ -	$ 2,526,410

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, 2017, the net increase in accumulated depreciation was $160,307.

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 2017-18 Fiscal Year was adopted by the Board of Directors in June 2017. 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 2017-18 budget preparation process include:

- The State Aid foundation increase was unknown so the prior year amount was used.
- Enrollment projections of 320 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, 2017

		Governmental Activities
Assets		
Cash	$	675,616
Accounts receivable		29,705
Due from other governmental units		562,436
Investments		594,425
Prepaid items		50,327
Capital assets not being depreciated		46,401
Capital assets - net of accumulated depreciation		2,480,009
Total assets		4,438,919
Deferred Outflows of Resources		
Deferred amount relating to the net pension liability		15,027
Total assets and deferred outflows of resources		4,453,946

Summit Academy
Statement of Net Position
June 30, 2017

	Governmental Activities
Liabilities	
Accounts payable	$ 110,029
State aid anticipation note payable	181,818
Due to agency fund activities	10,724
Accrued expenditures	75,205
Unearned revenue	43,188
Noncurrent liabilities	
Net pension liability	97,669
Due within one year	160,000
Due in more than one year	5,545,000
Total liabilities	6,223,633
Deferred Inflows of Resources	
Deferred amount on net pension liability	64,429
Total liabilities and deferred inflows of resources	6,288,062
Net Position	
Net investment in capital assets	387,887
Restricted for	
Debt service	473,081
Food service	1,397
Unrestricted (deficit)	(2,696,481)
Total net position	$ (1,834,116)

Summit Academy
Statement of Activities
For the Year Ended June 30, 2017

	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	$ 1,560,393	$ 67,642	$ 472,575	$ (1,020,176)
Supporting services	1,208,403	-	83,396	(1,125,007)
Food services	169,766	26,360	111,797	(31,609)
Community services	45,759	36,815	-	(8,944)
Interest on long-term debt	364,493	-	-	(364,493)
Total governmental activities	$ 3,348,814	$ 130,817	$ 667,768	(2,550,229)
General revenues				
State aid - unrestricted				2,568,384
Interest and investment earnings				1,045
Other				14,400
Total general revenues				2,583,829
Change in net position				33,600
Net position - beginning				(1,867,716)
Net position - ending				$ (1,834,116)

See Accompanying Notes to the Financial Statements

Summit Academy
Governmental Funds
Balance Sheet
June 30, 2017

	General Fund	Debt Service Fund	Capital Projects Fund	Food Service Fund	Total Governmental Funds
Assets					
Cash	$ 596,830	$ -	$ -	$ 78,786	$ 675,616
Accounts receivable	29,705	-	-	-	29,705
Due from other funds	77,389	-	-	-	77,389
Due from other governmental units	562,436	-	-	-	562,436
Investments	-	533,381	61,044	-	594,425
Prepaid items	50,327	-	-	-	50,327
Total assets	$ 1,316,687	$ 533,381	$ 61,044	$ 78,786	$ 1,989,898
Liabilities					
Accounts payable	$ 110,029	$ -	$ -	$ -	$ 110,029
State aid anticipation note payable	181,818	-	-	-	181,818
Due to other funds	-	-	-	77,389	77,389
Due to agency fund activities	10,724	-	-	-	10,724
Accrued expenditures	14,905	-	-	-	14,905
Unearned revenue	43,188	-	-	-	43,188
Total liabilities	360,664	-	-	77,389	438,053
Fund Balance					
Non-spendable					
Prepaid items	50,327	-	-	-	50,327
Restricted for:					
Debt service	-	533,381	-	-	533,381
Food service	-	-	-	1,397	1,397
Unassigned	905,696	-	61,044	-	966,740
Total fund balance	956,023	533,381	61,044	1,397	1,551,845
Total liabilities and fund balance	$ 1,316,687	$ 533,381	$ 61,044	$ 78,786	$ 1,989,898

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, 2017

Total fund balances for governmental funds	$ 1,551,845
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	2,480,009
Deferred outflows (inflows) of resources	
Deferred outflows of resources resulting from the net pension liability	15,027
Deferred inflows of resources resulting from net pension liability	(64,429)
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(60,300)
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	(97,669)
Bonds payable	(5,705,000)
Net position of governmental activities	$ (1,834,116)

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, 2017

	General Fund	Debt Service Fund	Capital Projects Fund	Food Service Fund	Total Governmental Funds
Revenues					
Local sources	$ 104,736	$ 685	$ 81	$ 26,360	$ 131,862
State sources	2,780,092	-	-	3,769	2,783,861
Federal sources	278,142	-	-	108,028	386,170
Interdistrict sources	80,521	-	-	-	80,521
Total revenues	3,243,491	685	81	138,157	3,382,414
Expenditures					
Current					
Education					
Instruction	1,491,399	-	-	-	1,491,399
Supporting services	1,149,031	-	-	-	1,149,031
Food services	-	-	-	161,425	161,425
Community services	45,759	-	-	-	45,759
Debt service					
Principal	150,000	-	-	-	150,000
Interest and other expenditures	365,993	-	-	-	365,993
Total expenditures	3,202,182	-	-	161,425	3,363,607
Excess (deficiency) of revenues over expenditures	41,309	685	81	(23,268)	18,807

Summit Academy
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2017

	General Fund	Debt Service Fund	Capital Projects Fund	Food Service Fund	Total Governmental Funds
Other Financing Sources (Uses)					
Transfers in	$ 8,410	$ -	$ -	$ -	$ 8,410
Transfers out	-	(685)	(7,725)	-	(8,410)
Total other financing sources (uses)	8,410	(685)	(7,725)	-	-
Net change in fund balance	49,719	-	(7,644)	(23,268)	18,807
Fund balance - beginning	906,304	533,381	68,688	24,665	1,533,038
Fund balance - ending	$ 956,023	$ 533,381	$ 61,044	$ 1,397	$ 1,551,845

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, 2017

Net change in fund balances - Total governmental funds	$ 18,807
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	(160,307)
Capital outlay	8,069
Expenses are recorded when incurred in the statement of activities.	
Interest	1,500
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	(760)
Net change in the deferred inflow of resources related to the net pension liability	79,456
Net change between actual pension contributions and the cost of benefits earned net of employee contributions	(63,165)
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	$ 33,600

See Accompanying Notes to the Financial Statements

Summit Academy
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2017

	Agency Funds
Assets	
Due from general fund	$ 10,724
Liabilities	
Due to agency fund activities	$ 10,724

See Accompanying Notes to the Financial Statements

Note 1 - Summary of Significant Accounting Policies

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

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

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

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

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

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

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

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

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

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

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

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

The Academy reports the following major governmental funds:

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

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

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

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

Additionally, the Academy reports the following fund types:

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

Assets, Liabilities and Net Position or Equity

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

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

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

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

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

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

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

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

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

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

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.

Upcoming Accounting and Reporting Changes

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. 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.

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

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

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

Statement No. 86, *Certain Debt Extinguishment Issues* is to improve consistency in accounting and financial reporting for in-substance defeasance of debt. The statement provides uniform guidance for derecognizing debt that is defeased in substance, regardless of how cash and other monetary assets placed in an irremovable trust for the purpose of extinguishing that debt were acquired. The effective date is 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			
Pupil	$ 168,715	$ 180,939	$ 12,224
General administration	216,386	217,740	1,354
School administration	254,552	257,742	3,190
Business	52,181	52,305	124
Operations and maintenance	252,494	254,141	1,647

Academy-Wide Deficits
The Academy has a net position deficit for Academy-Wide activities in the amount of $ 1,834,116 as of June 30, 2017. The deficit is due to bond proceeds which were not capitalized when spent or used for reserved funds. 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	$ 675,616
Investments	594,425
	$ 1,270,041

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

Deposits (checking, savings accounts, money markets, certificates of deposit)	$ 1,270,041

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, $778,985 of the Academy's bank balance of $1,278,985 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Note 4 - Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	$ 46,401	$ -	$ -	$ 46,401
Capital assets being depreciated				
Buildings and additions	4,242,005	-	-	4,242,005
Equipment and furniture	1,305,719	8,069	-	1,313,788
Total capital assets being depreciated	5,547,724	8,069	-	5,555,793
Total accumulated depreciation	2,915,477	160,307	-	3,075,784
Net capital assets being depreciated	2,632,247	(152,238)	-	2,480,009
Net capital assets	$ 2,678,648	$ (152,238)	$ -	$ 2,526,410

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

Governmental activities	
Instruction	$ 85,330
Supporting services	65,741
Food services	9,236
Total governmental activities	$ 160,307

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	$ 77,389

Additionally, $10,724 was owed from the General Fund to the Fiduciary Fund.

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

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

Interfund transfers were made during the year, to the General Fund from the Debt Fund totaling $685. These transfers were made to cover interest earned. Interfund transfers were made during the year, to the General Fund from the Capital Project Fund totaling $7,725.

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	$ 43,188

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	$ 300,000	$ 1,000,000	$ 1,118,182	$ 181,818

Note 8 - Long-Term Debt

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

Long-term obligation activity is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Revenue bonds	$ 5,855,000	$ -	$ 150,000	$ 5,705,000	$ 160,000

Revenue bonds consist of the following:

Revenue bonds due in annual installments of between $160,000 and $490,000 through October 1, 2035, interest due twice a year at an average rate of 6.25%	$ 5,705,000

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

	Principal	Interest	Total
Year Ending June 30,			
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	205,000	309,588	514,588
2023 - 2027	1,265,000	1,327,758	2,592,758
2028 - 2032	1,710,000	860,306	2,570,306
2033	1,800,000	238,107	2,038,107
Total	$ 5,705,000	$ 4,093,953	$ 9,798,953

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 $ 23,797 and $ 365,994, respectively.

Note 9 - Debt Covenant

The bonded debt agreement contains certain covenants, including maintenance of certain financial ratios as defined in the agreement. At June 30, 2017, the Academy was in compliance with the covenants.

Note 10 - Pension Plans and Post-Employment Benefits

Plan Description

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, 2016 valuation will be amortized over a 20 year period for the plan's 2016 fiscal year. The schedule below summarizes pension contribution rates in effect for fiscal year 2016.

Pension Contribution Rates

Benefit Structure	Member	Employer
Basic	0.0 - 4.0%	18.95%
Member Investment Plan	3.0 - 7.0	18.95%
Pension Plus	3.0 - 6.4	17.73%
Defined Contribution	0.0	14.56%

Required contributions to the pension plan from the Academy were $ 8,791 for the year ending September 30, 2016.

Net Pension Liability

June 30, 2017, the Academy reported a liability of $ 97,669 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2016. 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, 2016, the Academy's proportionate share percent was .0004 percent, which was a decrease of .0003 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, 2017, the Academy recognized total pension expense of $ 6,924**.** The Academy's actual contributions for the years ended June 30, 2017, 2016, and 2015 and were approximately $ 8,000, $ 10,500, and $ 10,500, respectively.

At June 30, 2017, 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	$ 1,217	$ 231
Changes in assumptions	1,527	-
Net difference between projected and actual earnings on pension plan investments	1,623	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,659	62,274
Employer contributions subsequent to the measurement date	8,001	1,921
	$ 15,027	$ 64,426

$ 15,027 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, 2018. $ 64,426 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, 2018 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:
2017	$ 15,464
2018	15,591
2019	14,112
2020	10,312
Total	$ 55,479

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, 2015
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 3.5%
- Investment Rate of returns:
  - MIP and Basic Plans (Non-Hybrid): 8.0%
  - 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: 7.5% Year 1 graded to 3.5% Year 12
- Mortality: RP-2000 Combined Healthy Life Mortality Table, adjusted for mortality improvements to 2020 using projection scale AA (for men, 140% of the table rates for ages 0-79, 133% of the table rates for ages 80-84, and 121.8% of the table rates for ages over 84 were used and for women, 96% of the table rates were used).

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. The total pension liability as of September 30, 2016, is based on the results of an actuarial valuation date of September 30, 2015, 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: (4.6273 for non-university employers). The recognition period for assets in years is 5.0000. Full actuarial assumptions are available in the 2016 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, 2016, 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 Hybrid Plan), as well as what the Academy's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-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%
$ 125,773	$ 97,669	$ 73,974

*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 2016 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, 2016 through September 30, 2016, and October 1, 2016 through June 30, 2017, the employer contribution rate ranged from 6.40% to 6.83% and 5.69% to 5.91%, respectively.

The Academy's actual contributions match the required contributions for the years ended June 30, 2017, 2016, and 2015 and were approximately $ 1,600, $ 3,000, and $ 1,600, respectively.

Unfunded Accrued Liability
During the year ending June 30, 2017, the Academy had contributions in the amount of $ 2,640 to the MPSERS. This amount represents the additional employer contributions attributed to the unfunded accrued actuarial liability (UAAL) rate, which was approximately 11.70% for the year ending June 30, 2017.

Note 11 - 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 12 - 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 13 - Management Company

In June 2016, 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 2.75% of total gross salary and wages for human resource services. The total paid for these services amounted to approximately, $70,622 for the year ended June 30, 2017. On July 1, 2017, the Academy's agreement with MEP Services was replaced by a new agreement with Provision Education Support Solutions. Under the new agreement, MEP Services will be providing Human Resource Services only.

REQUIRED SUPPLEMENTARY INFORMATION

Summit Academy
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2017

	Budgeted Amounts			Over
				(Under)
	Original	Final	Actual	Budget
Revenues				
Local sources	$ 95,200	$ 98,348	$ 104,736	$ 6,388
State sources	3,112,484	2,802,497	2,780,092	(22,405)
Federal sources	315,300	301,715	278,142	(23,573)
Interdistrict sources	65,600	89,500	80,521	(8,979)
Total revenues	3,588,584	3,292,060	3,243,491	(48,569)
Expenditures				
Instruction				
Basic programs	1,282,574	1,106,720	1,082,382	(24,338)
Added needs	492,210	485,315	409,017	(76,298)
Supporting services				
Pupil	147,390	168,715	180,939	12,224
Instructional staff	65,149	63,069	57,761	(5,308)
General administration	219,223	216,386	217,740	1,354
School administration	308,407	254,552	257,742	3,190
Business	53,042	52,181	52,305	124
Operations and maintenance	278,247	252,494	254,141	1,647
Pupil transportation services	18,500	18,500	18,500	-
Central	125,895	113,555	109,903	(3,652)
Community services	53,638	47,581	45,759	(1,822)
Debt service				
Principal	150,000	150,000	150,000	-
Interest and fiscal charges	365,993	365,993	365,993	-
Total expenditures	3,560,268	3,295,061	3,202,182	(92,879)
Excess (deficiency) of revenues over expenditures	28,316	(3,001)	41,309	44,310

Summit Academy
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2017

	Budgeted Amounts			
	Original	Final	Actual	Over (Under) Budget
Other Financing Sources (Uses)				
Transfers in	$ 250	$ 8,265	$ 8,410	$ 145
Transfers out	(5,000)	(5,000)	-	5,000
Total other financing sources (uses)	(4,750)	3,265	8,410	5,145
Net change in fund balance	23,566	264	49,719	49,455
Fund balance - beginning	906,304	906,304	906,304	-
Fund balance - ending	$ 929,870	$ 906,568	$ 956,023	$ 49,455

Summit Academy
Required Supplementary Information
Budgetary Comparison Schedule - Food Service
For the Year Ended June 30, 2017

	Budgeted Amounts			
	Original	Final	Actual	Over (Under) Budget
Revenues				
Local sources	$ 21,000	$ 27,000	$ 26,360	$ (640)
State sources	3,750	3,750	3,769	19
Federal sources	125,000	125,000	108,028	(16,972)
Total revenues	149,750	155,750	138,157	(17,593)
Expenditures				
Current				
Education				
Food services	164,500	170,500	161,425	(9,075)
Excess (deficiency) of revenues over expenditures	(14,750)	(14,750)	(23,268)	(8,518)
Other Financing Sources (Uses)				
Transfers in	7,500	7,500	-	(7,500)
Net change in fund balance	(7,250)	(7,250)	(23,268)	(16,018)
Fund balance - beginning	24,665	24,665	24,665	-
Fund balance - ending	$ 17,415	$ 17,415	$ 1,397	$ (16,018)

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

	June 30, 2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
A. Reporting unit's proportion of net pension liability (%)	0.00040%	0.00070%	0.00070%							
B. Reporting unit's proportionate share of net pension liability	$ 97,669	$ 177,125	$ 156,067							
C. Reporting unit's covered-employee payroll	$ 29,000	$ 60,000	$ 60,000							
D. Reporting unit's proportionate share of net pension liability as a percentage of its covered- employee payroll	336.79%	295.21%	260.11%							
E. Plan fiduciary net position as a percentage of total pension liability	63.27%	63.17%	66.20%							

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

		For the Years Ended June 30,									
		2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
A.	Statutorily required contributions	$ 8,791	$ 13,990	$ 11,044							
B.	Contributions in relation to statutorily required contributions	8,791	13,990	11,044							
C.	Contribution deficiency (excess)	$ -	$ -	$ -							
D.	Reporting unit's covered-employee payroll	29,000	60,000	60,000							
E.	Contributions as a percentage of covered-employee payroll	30.31%	23.32%	18.41%							

Notes:
Benefit changes - There were no changes of benefit terms in 2017.
Changes in assumptions - There were no changes of benefit assumptions in 2017.

OTHER REPORT

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

Independent Auditors' Report

Management and the Board of Directors
Summit Academy

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Summit Academy as of and for the year ended June 30, 2017, 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 25, 2017.

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 25, 2017