

Audited Financial Statements

Summit Academy North

Romulus, Michigan

June 30, 2017

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Summit Academy North

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Summit Academy North, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Summit Academy North'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.

Auditor's 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 auditor's judgement, 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 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 North as of June 30, 2017, and the respective changes in financial position, thereof for the year 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, as 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Summit Academy North's basic financial statements. The introductory section, combining and individual non-major fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual non-major fund financial statements, schedules of revenues and expenditures, and the schedules of expenditures of federal awards are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements, schedules of revenues and expenditures, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2017, on our consideration of the Summit Academy North's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Summit Academy North's internal control over financial reporting and compliance.



Croskey Lanni, PC

October 25, 2017
Rochester, Michigan

Summit Academy North

Management's Discussion and Analysis

This section of the Summit Academy North's annual financial report presents our discussion and analysis of the Academy's financial performance during the year ended June 30, 2017. Please read it in conjunction with the Academy's financial statements, which immediately follow this section.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Summit Academy North financially as a whole. The Academy-wide financial statements provide information about the activities of the whole Academy, presenting both an aggregate view of the Academy's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the Academy's operations in more detail than the Academy-wide financial statements by providing information about the Academy's funds – the General Fund, Debt Service Fund, Capital Projects and the Food Services Fund.

Management's Discussion and Analysis (MD&A)
(Required Supplemental Information)

Basic Financial Statements

Academy-wide Financial Statements *Fund Financial Statements*

Notes to the Basic Financial Statements

(Required Supplemental Information)
Budgetary Information for General Fund

Reporting the Academy as a Whole – Academy-wide Financial Statements

One of the most important questions asked about the Academy is, "As a whole, what is the Academy's financial condition as a result of the year's activities?" The statement of net assets and the statement of activities, which appear first in the Academy's financial statements, report information on the Academy as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by

Summit Academy North

Management's Discussion and Analysis (Continued)

most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Academy's net position – the difference between assets and liabilities, as reported in the statement of net position – as one way to measure the Academy's financial health or financial position. Over time, increases or decreases in the Academy's net position – as reported in the statement of activities – are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the Academy's operating results. However, the Academy's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the Academy. The statement of net position and the statement of activities report the governmental activities for the Academy, which encompass all of the Academy's services, including instruction, support services, community services, and food services. Unrestricted state aid (foundation allowance revenue), and state and federal grants finance most of these activities.

Reporting the Academy's Most Significant Funds – Fund Financial Statements

The Academy's fund financial statements provide detailed information about the Academy's funds – not the Academy as a whole. Some funds are required to be established by state law. The governmental funds of the Academy use the following accounting approach:

Governmental funds – All of the Academy's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the Academy and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Academy's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in a reconciliation.

Summit Academy North

Management's Discussion and Analysis (Continued)

The Academy as a Whole

Recall that the statement of net position provides the perspective of the Academy as a whole. Table 1 provides a summary of the Academy's net position as of June 30, 2017 and 2016:

	Governmental Activities	
	June 30	
	2017	2016
Assets and Deferred Outflows		
Current and other assets	8.6	8.8
Capital assets	17.6	18.1
Total assets and deferred out flows	26.2	26.9
Liabilities		
Current liabilities	4.1	4.0
Long-term liabilities	27.4	27.8
Total liabilities and deferred inflows	31.5	31.8
Net Position		
Net investment in capital assets	(10.7)	(10.4)
Restricted	3.7	3.8
Unrestricted	1.7	1.7
Total net position	(5.3)	(4.9)

Net Position – The Academy's net position decreased marginally during the current year, with a \$.5 million decrease in total net position. Unrestricted net position decreased by \$47 thousand.

The above analysis focuses on the net position (see Table 1). The change in net position (see Table 2) of the Academy's governmental activities is discussed below. The Academy's net position was approximately \$(5.3) million at June 30, 2017. Capital assets, recorded at historical costs, net of depreciation, totaled approximately \$17.6 million.

The approximate \$1.7 million in unrestricted net position of governmental activities represents the *accumulated* results of all past years' operations. The unrestricted net position balance enables the Academy to meet working capital and cash flow requirements as well as to provide for future uncertainties. The operating results of the General Fund will have a significant impact on the change in unrestricted net position from year to year.

Summit Academy North

Management's Discussion and Analysis (Continued)

The results of this year's operations for the Academy as a whole are reported in the statement of activities (Table 2), which shows the changes in net position for fiscal years ended June 30, 2017 and 2016.

	Governmental Activities	
	Year Ended	
	June 30, 2017	June 30, 2016
Revenue		
Program Revenue:		
Charges for services	0.1	0.1
Operating grants and contributions	2.8	2.6
General Revenue:		
Unrestricted	14.3	0.2
State foundation allowance	0.2	14.5
	<u>17.4</u>	<u>17.4</u>
Functions/Program Expenses		
Instruction	6.8	6.8
Support services	7.4	6.4
Athletics	0.5	0.5
Food services	0.7	0.6
Community services	0.1	0.1
Interest on long-term debt	1.5	0.9
Depreciation (unallocated)	0.9	1.7
	<u>17.9</u>	<u>17.0</u>
Change in Net Position	<u>(0.5)</u>	<u>0.4</u>

As reported in the statement of activities, the cost of all of our *governmental* activities this year was \$17.9 million. Certain activities were partially funded from those who benefited from the programs or by other governments and organizations that subsidized certain programs with grants and contributions of approximately \$2.8 million. We paid for the remaining "public benefit" portion of our governmental activities approximately \$14.3 million in state foundation allowance and with other revenues.

The Academy experienced a decrease of net position of approximately \$525,000. School leadership worked during the year to assure academic programs while controlling costs.

Summit Academy North

Management's Discussion and Analysis (Continued)

The school leadership refinanced the Series 2005 bonds in order to reduce long-term interest expenses.

As discussed above, the net cost shows the financial burden that was placed on the Academy by each of these functions. Since unrestricted state aid constitutes the vast majority of the Academy's operating revenue sources, the Board of Directors and administration must annually evaluate the needs of the Academy and balance those needs with state-prescribed available unrestricted resources.

The Academy's Funds

As we noted earlier, the Academy uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the Academy is being accountable for the resources taxpayers and others provide to it and may provide more insight into the Academy's overall financial health.

As the Academy completed this year, the governmental funds reported a combined fund balance of \$5,708,780 which is a decrease from last year's balance of \$5,816,473. The primary reasons for the decrease related to the costs of issuing the refinancing bonds.

General Fund Budgetary Highlights

Over the course of the year, the Academy revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the Academy's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of the financial statements.

There were slight revisions made to the 2016-2017 General Fund original budget. Budgeted revenues were increased by \$0.25 million due to increased enrollment and federal sources.

Budgeted expenditures were slightly revised to account for additional students while still maintaining some economies of scale. The Academy maintained teaching staff, paraprofessionals, teaching supplies and materials and support programs. Additionally furniture, transportation, capital improvements and costs of issuing the refinancing bonds were also included.

Summit Academy North

Management's Discussion and Analysis (Continued)

Capital Assets

As of June 30, 2017, the Academy had approximately \$17.6 million invested in a broad range of capital assets, including leasehold improvements, furniture, and equipment.

	<u>2017</u>	<u>2016</u>
Land	\$ 1,113,410	\$ 1,113,410
Building and improvements	23,090,236	22,716,658
Furniture and equipment	1,806,872	1,797,701
Computers	5,014,773	5,014,773
Total capital assets	31,025,291	30,642,542
Less accumulated depreciation	<u>(13,443,891)</u>	<u>(12,515,459)</u>
Net capital assets	<u>\$ 17,581,400</u>	<u>\$ 18,127,083</u>

We present more detailed information about our capital assets in the notes to the financial statements.

Debt

At the end of this year, the Academy had \$27.90 million in bonds outstanding versus \$28.45 million in the previous year. These bonds consisted of the following:

	<u>2017</u>	<u>2016</u>
2005 Revenue & Refunding Bonds	\$ -	\$ 22,885,000
2011 Revenue & Refunding Bonds	5,465,000	5,545,000
2016 Revenue & Refunding Bonds	<u>22,435,000</u>	<u>-</u>
	<u>\$ 27,900,000</u>	<u>\$ 28,430,000</u>

The Academy's general obligation bond rating continues to be BB. Other obligations include capital leases. We present more detailed information about our long-term liabilities in the notes to the financial statements.

The Academy's bond covenants require that days cash on hand does not drop below 30 days. Days cash on hand is calculated as cash on hand divided by operating expenses (excluding short term debt) divided by 365. In addition, if the Academy's days cash on hand is less than 60 days the Debt Service Coverage ratio must be 1.10. As of June 30,

Summit Academy North

Management's Discussion and Analysis (Continued)

2017, the Academy's days cash on hand is 31.4 days and Debt Service Coverage Ratio is 2.16.

Economic Factors and Next Year's Budgets and Rates

The Academy's administration considered many factors when setting the Academy's 2017 fiscal year budget. One of the most important factors affecting the budget is our student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2017 fiscal year is 90 percent and 10 percent of the October 2016 and February 2016 student counts, respectively. Section 25e allows for the prorated change of student counts between October 2016 and February 2017. The 2017-18 budget was adopted in June 2017, based on an estimate of students that will be enrolled in October 2017. Approximately 86 percent of total General Fund revenue is from the foundation allowance. As a result, Academy funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2017-2018 school year, we anticipate that the fall student count will be less than the estimate used in creating the 2017 budget. Once the final student count and related per pupil funding is validated, state law requires the Academy to amend the budget if actual district resources are not sufficient to fund original appropriations.

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 academies. The State periodically holds a revenue-estimating conference to estimate revenues. Based on the results of the most recent conference, it is uncertain whether state funds are sufficient to fund the appropriation.

Contacting the Academy's Management

This financial report is intended to provide our students, parents and investors with a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have any questions about the report or need additional information, we welcome you to contact the Academy's central office at 30100 Olmstead, Flat Rock, MI 48134.

SUMMIT ACADEMY NORTH

STATEMENT OF NET POSITION JUNE 30, 2017

ASSETS AND DEFERRED OUTFLOWS

Current Assets

Cash and cash equivalents	\$ 1,240,068
Investments - restricted for debt service and capital projects	3,693,601
Accounts receivable	94,411
Due from other governmental units	3,072,778
Prepaid expenses	412,446

Total current assets 8,513,304

Capital Assets

17,581,400

Total assets 26,094,704

Deferred Outflows - Related to Pension

112,921

Total assets and deferred outflows \$ 26,207,625

LIABILITIES, DEFERRED INFLOWS AND NET POSITION

Current Liabilities

Accounts payable	\$ 111,929
Notes payable	2,327,276
Due to agency fund	146,027
Unearned revenue	92,531
Other accrued expenses	241,447
Net pension liability	341,998
Long-term debt - current portion	880,000

Total current liabilities 4,141,208

Long-Term Debt - Long-Term Portion

27,437,187

Deferred Inflows - Related to Pension

907

Net Position

Net investment in capital assets	(10,735,787)
Restricted for debt services and capital projects	3,693,601
Unrestricted	1,670,509

Total net position (5,371,677)

Total liabilities, deferred inflows and net position \$ 26,207,625

See accompanying notes to financial statements

SUMMIT ACADEMY NORTH

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2017

	<u>Expenses</u>	<u>Program Revenues</u>		Net (Expense) Revenues and Changes in Net Position
		<u>Charges for Services</u>	<u>Operating Grants</u>	Government Type Activities
Functions				
Instruction				
Basic programs	\$ 5,026,973	\$ -	\$ -	\$ (5,026,973)
Added needs	1,759,653	-	1,728,224	(31,429)
Support services				
Pupil support services	459,974	-	151,956	(308,018)
Instructional staff support services	321,446	-	272,890	(48,556)
General administration	1,819,322	-	-	(1,819,322)
School administration	1,620,318	-	-	(1,620,318)
Business support services	312,381	-	-	(312,381)
Operations and maintenance	1,193,911	-	-	(1,193,911)
Pupil transportation services	745,664	-	-	(745,664)
Central support services	885,628	-	-	(885,628)
Athletic activities	516,714	-	-	(516,714)
Food services	650,077	69,482	606,455	25,860
Community services	155,959	-	17,779	(138,180)
Unallocated depreciation and amortization	928,432	-	-	(928,432)
Unallocated interest	1,532,200	-	-	(1,532,200)
	<u>\$ 17,928,652</u>	<u>\$ 69,482</u>	<u>\$ 2,777,304</u>	<u>(15,081,866)</u>
General Purpose Revenues				
State school aid - unrestricted				14,328,107
Miscellaneous revenues				221,791
				<u>14,549,898</u>
Change in net position				(531,968)
Net Position - July 1, 2016				<u>(4,839,709)</u>
Net position - June 30, 2017				<u>\$ (5,371,677)</u>

See accompanying notes to financial statements

SUMMIT ACADEMY NORTH

COMBINED BALANCE SHEET – ALL GOVERNMENTAL FUNDS JUNE 30, 2017

ASSETS

	General	Debt Service	Non-Major	Total
Cash and cash equivalents	\$ 1,191,227	\$ -	\$ 48,841	\$ 1,240,068
Investments	1,081,662	2,326,663	285,276	3,693,601
Accounts receivable	94,411	-	-	94,411
Due from other governmental units	3,072,778	-	-	3,072,778
Due from other funds	-	-	70,449	70,449
Prepaid expenses	412,446	-	-	412,446
	<u>\$ 5,852,524</u>	<u>\$ 2,326,663</u>	<u>\$ 404,566</u>	<u>\$ 8,583,753</u>

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE

Liabilities

Accounts payable	\$ 111,929	\$ -	\$ -	\$ 111,929
Notes payable	2,327,276	-	-	2,327,276
Due to agency funds	146,027	-	-	146,027
Due to other funds	70,449	-	-	70,449
Unearned revenue	92,531	-	-	92,531
Other accrued expenses	120,071	-	-	120,071
	<u>2,868,283</u>	<u>-</u>	<u>-</u>	<u>2,868,283</u>

Deferred Inflows of Resources -

Unavailable revenue	6,690	-	-	6,690
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Fund Balance

Nonspendable	412,446	-	-	412,446
Restricted	1,081,662	2,326,663	404,566	3,812,891
Committed	180,000	-	-	180,000
Assigned	330,000	-	-	330,000
Unassigned	973,443	-	-	973,443
	<u>2,977,551</u>	<u>2,326,663</u>	<u>404,566</u>	<u>5,708,780</u>

Total liabilities and
fund balance

	<u>\$ 5,852,524</u>	<u>\$ 2,326,663</u>	<u>\$ 404,566</u>	<u>\$ 8,583,753</u>
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See accompanying notes to financial statements

SUMMIT ACADEMY NORTH

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET POSITION OF GOVERNMENTAL ACTIVITIES JUNE 30, 2017

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

Total Governmental Fund Balances		\$	5,708,780
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$31,025,291 and the accumulated depreciation is \$13,443,891.			17,581,400
Interest is not payable until due in governmental activities and, therefore, is not recorded in the funds.			(121,376)
Deferred Outflows of Resources			
Related to pension payments made subsequent to the measurement date			112,921
Deferred Inflows of Resources			
Unavailable revenue	\$	6,690	
Related to pension investment returns		<u>(907)</u>	5,783
Net pension obligations are not due and payable in the current period and are not reported as fund liabilities			(341,998)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.			<u>(28,317,187)</u>
Net Position of Governmental Activities		\$	<u>(5,371,677)</u>

See accompanying notes to financial statements

SUMMIT ACADEMY NORTH

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – ALL GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2017

	General	Debt Service	Non-Major	Total
Revenues				
Local sources	\$ 199,169	\$ 1,929	\$ 69,779	\$ 270,877
State sources	15,236,340	-	14,399	15,250,739
Federal sources	1,147,628	-	592,056	1,739,684
Interdistrict sources	162,646	-	-	162,646
Total governmental fund revenues	16,745,783	1,929	676,234	17,423,946
Expenditures				
Instruction				
Basic programs	5,026,973	-	-	5,026,973
Added needs	1,759,653	-	-	1,759,653
Support services				
Pupil support services	459,974	-	-	459,974
Instructional staff support services	321,446	-	-	321,446
General administration	1,811,978	-	-	1,811,978
School administration	1,620,318	-	-	1,620,318
Business support services	312,381	-	-	312,381
Operations and maintenance	1,193,911	-	-	1,193,911
Pupil transportation services	745,664	-	-	745,664
Central support services	885,628	-	-	885,628
Athletic activities	516,714	-	-	516,714
Food services	-	-	650,077	650,077
Community services	155,959	-	-	155,959
Capital outlay	382,749	-	-	382,749
Debt principal and interest	24,540,401	-	-	24,540,401
Total governmental fund expenditures	39,733,749	-	650,077	40,383,826
Excess (deficiency) of revenues over expenditures	(22,987,966)	1,929	26,157	(22,959,880)
Other Financing Sources (Uses)				
Proceeds from long-term debt	22,435,000	-	-	22,435,000
Premium on bond issuance	417,187	-	-	417,187
Operating transfers in	88,503	-	3,151	91,654
Operating transfers out	-	(91,654)	-	(91,654)
Total other financing sources (uses)	22,940,690	(91,654)	3,151	22,852,187
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	(47,276)	(89,725)	29,308	(107,693)
Fund balance - July 1, 2016	3,024,827	2,416,388	375,258	5,816,473
Fund balance - June 30, 2017	\$ 2,977,551	\$ 2,326,663	\$ 404,566	\$ 5,708,780

See accompanying notes to financial statements

SUMMIT ACADEMY NORTH

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2017

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

Net Change in Fund Balances - Total Governmental Funds \$ (107,693)

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation and amortization expense. This is the amount by which capital outlays exceeded depreciation and amortization in the current period

Capital outlay	\$	382,749	
Depreciation and amortization expense		(928,432)	(545,683)

Revenue is reported in the statement of activities when earned, but not reported in the funds until collected or collectible within 60 days of yearend	(27,262)
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Change in pension expense related to deferred items	(7,344)
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The governmental funds report loan proceeds as an other financing source, while repayment of loan principal is reported as an expenditure. Interest is recognized as an expenditure in the governmental funds when it is due. The net effect of these differences in the treatment of general loan obligations is as follows:

Proceeds from long-term debt	\$	(22,435,000)	
Premium on bond issuance		(417,187)	
Repayment of loan principal		22,989,919	
Interest expense		18,282	156,014

Change in Net Position of Governmental Activities \$ (531,968)

See accompanying notes to financial statements

SUMMIT ACADEMY NORTH

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

In July 2016, the Academy entered into a five-year contract with the Central Michigan University’s Board of Trustees 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 school aid funds pursuant to the State constitution. The University’s Board of Trustees is the fiscal agent for the Academy and is responsible for overseeing the Academy’s compliance with the contract and all applicable laws. The Academy pays the Central Michigan University’s Board of Trustees three percent of state aid as administrative fees. Total administrative fees paid for the year ended June 30, 2017 were approximately \$426,900.

In July 2013, the Academy entered into a five-year agreement with Michigan Educational Personnel Services “MEP Services”. Under the terms of this agreement, MEP Services provides a variety of services including business, payroll and other human resource services. The Academy is obligated to pay MEP 2.75 percent of its gross wages paid to the leased employees for payroll and human resource services and 0.8 percent of the total aid received from the State of Michigan for business services. The total paid for these services amounted to approximately \$337,300 for the year ended June 30, 2017. In July of 2016, the Academy extended the contract with MEP Services for five years. In August of 2017, the Academy terminated the business portion of the contract with MEP Services and engaged with Provisions Business Solutions to provide business services for the 2017-2018 school year.

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

Fund Financial Statements

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

SUMMIT ACADEMY NORTH

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Basis of Presentation – Fund Accounting

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

Governmental Funds

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

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

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

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

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

Fiduciary Fund - The fiduciary fund, which the Academy does not currently maintain, is used to account for assets held by the Academy in a trustee capacity or as an agent. The agency fund is custodial in nature and does not involve the measurement of results of operations.

Activity (Agency) Fund - The Academy does not presently maintain an activity fund to record the transactions of a student group for school and school-related purposes. The fund would be segregated and held in trust for the students.

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

SUMMIT ACADEMY NORTH

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

- a. Revenue that is both measurable and available for use to finance operations is recorded as revenue when earned. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Academy considers revenues to be available if they are collected within sixty days of the end of the current fiscal period.
- b. Payments for inventoriable types of supplies, which are not significant at year end, are recorded as expenditures at the time of purchase.
- c. Principal and interest of general long-term debt are not recorded as expenditures until their due dates.
- d. The State of Michigan utilizes a foundation allowance funding approach, which provides for specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenue from state sources is primarily governed by the School Aid Act and the School Code of Michigan. The state portion of the foundation is provided from the State's School Aid Fund and is recognized as revenue in accordance with state law. A major portion of the Academy's revenue is derived from this state aid. As such, the Academy is considered to be economically dependent on this aid. The Academy's existence is dependent upon qualification for such aid.

Government-Wide Financial Statements

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

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

SUMMIT ACADEMY NORTH

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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

Cash and Cash Equivalents

The Academy's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with maturities of three months or less from the date of acquisition. The Academy reports its investments in accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools and GASB No. 40, Deposit and Investment Risk Disclosures. Under these standards, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Academy intends to hold the investment until maturity. The Academy held investments in mutual funds that invest solely in U.S. Treasury obligations. The funds are held in trust for debt service and capital projects. State statutes authorize the Academy to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, saving accounts, deposit accounts, and or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Corporation or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The Academy is also authorized to invest in U.S. Government or Federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

Receivables

Receivables at June 30, 2017 consist primarily of state school aid due from the State of Michigan and the federal government. All receivables are expected to be fully collected in July and August of 2017 and are considered current for the purposes of these financial statements.

Prepaid Assets

Payments made to vendors for services that will benefit periods beyond June 30, 2017, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

SUMMIT ACADEMY NORTH

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Capital Assets and Depreciation

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

All reported capital assets, with the exception of land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

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

Accrued Liabilities and Long-Term Obligations

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

Net Position

Net position represents the difference between assets, deferred outflows and liabilities, and deferred inflows. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors or laws of regulations of other governments.

Fund Equity

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

SUMMIT ACADEMY NORTH

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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

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

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

Estimates

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

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. State law requires the Academy to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. The Academy is required by law to adopt general and special revenue fund budgets. During the year ended June 30, 2017 the budget was amended in a legally permissible manner. The Academy incurred expenditures in certain budgetary functions that were in excess of amounts appropriated for the year ended June 30, 2017 as reported on page 26 of these financial statements however total expenditures were less than board appropriations.

SUMMIT ACADEMY NORTH

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 3 - DEPOSITS AND INVESTMENTS

As of June 30, 2017, the Academy had the following investments:

<u>Type</u>	<u>S&P Rating</u>	<u>Maturities</u>	<u>Carrying Value</u>
Deposits:			
Demand deposits			\$ 1,240,068
Investments:			
U.S. Treasury and agency obligations	BB	Various	<u>3,693,601</u>
Total deposits and investments			<u>\$ 4,933,669</u>

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

Deposits:			
Cash - General fund			\$ 1,191,227
Cash - Special revenue fund			<u>48,841</u>
Total deposits			1,240,068
Investments:			
Investments - General fund			1,081,662
Investments - Debt service fund			2,326,663
Investments - Capital projects fund			<u>285,276</u>
Total investments			<u>3,693,601</u>
Total deposits and investments			<u>\$ 4,933,669</u>

Interest Rate Risk

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

SUMMIT ACADEMY NORTH

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 3 - DEPOSITS AND INVESTMENTS - Continued

Credit Risk

State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2017, the Academy's investments were rated BB by Standards & Poor's and Bb1 by Moody's Investors Service.

Concentration of Credit Risk

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

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. As of June 30, 2017, \$989,569 of the Academy's cash was exposed to custodial credit risk because it was uninsured. All cash balances were uncollateralized as of June 30, 2017.

Custodial Credit Risk - Investments

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

Foreign Currency Risk

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

Fair Value

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

SUMMIT ACADEMY NORTH

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 3 - DEPOSITS AND INVESTMENTS - Continued

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

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

The Academy does not have any investments that are subject to the fair value measurement.

NOTE 4 – DUE FROM OTHER GOVERNMENTAL UNITS

Amounts due from other governmental units consist of the following:

State sources	\$ 2,779,559
Federal sources	<u>293,219</u>
Total	<u>\$ 3,072,778</u>

SUMMIT ACADEMY NORTH

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 5 - CAPITAL ASSETS

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

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2017</u>
Capital assets not subject to depreciation				
Land	\$ 1,113,410	\$ -	\$ -	\$ 1,113,410
Capital assets subject to depreciation				
Building	22,716,658	373,578	-	23,090,236
Furniture and equipment	1,797,701	9,171	-	1,806,872
Computers	5,014,773	-	-	5,014,773
Sub-total	30,642,542	382,749	-	31,025,291
Accumulated depreciation				
Building	6,167,262	705,682	-	6,872,944
Furniture and equipment	1,439,460	142,555	-	1,582,015
Computers	4,908,737	80,195	-	4,988,932
Sub-total	12,515,459	928,432	-	13,443,891
Total net capital assets	<u>\$ 18,127,083</u>	<u>\$ (545,683)</u>	<u>\$ -</u>	<u>\$ 17,581,400</u>

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

SUMMIT ACADEMY NORTH

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 6 – NOTES PAYABLE

Notes payable as of June 30, 2017 can be summarized as follows:

Loan Information

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Other</u>
SAAN 15-16 #1	3.83%	August, 2016	Paid in full
SAAN 15-16 #2	4.02%	August, 2016	Paid in full
SAAN 16-17 #1	3.91%	August, 2017	Issued to provide Academy with funds for operations; secured by future state aid payments
SAAN 16-17 #2	4.93%	August, 2017	Issued to provide Academy with funds for operations; secured by future state aid payments

Loan Activity

	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Retirements and Payments</u>	<u>Balance June 30, 2017</u>
SAAN 15-16 #1	\$ 1,272,729	\$ -	\$ 1,272,729	\$ -
SAAN 15-16 #2	1,000,000	-	1,000,000	-
SAAN 16-17 #1	-	4,000,000	3,272,724	727,276
SAAN 16-17 #2	-	4,000,000	2,400,000	1,600,000
	<u>\$ 2,272,729</u>	<u>\$ 8,000,000</u>	<u>\$ 7,945,453</u>	<u>\$ 2,327,276</u>

NOTE 7 – OTHER ACCRUED EXPENSES

Other accrued expenses may be summarized as follows:

	<u>Net Position</u>	<u>Funds</u>
Other accrued expenditures	\$ 42,461	\$ 42,461
University oversight fee	77,610	77,610
Interest	121,376	-
Total other accrued expenses	<u>\$ 241,447</u>	<u>\$ 120,071</u>

SUMMIT ACADEMY NORTH

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 8 - LONG-TERM OBLIGATIONS PAYABLE

The following is a summary of long-term obligations for the Academy during the year ended June 30, 2017:

Loan Information

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Other</u>
Capital lease 1	8.07%	June, 2017	Paid in full
Revenue bond 2005	Average of 5.1%	November, 2036	Paid in full with Revenue bond 2016
Revenue bond 2011	Average of 7.4%	May, 2041	Issued to provide funding for facilities and related renovations. Payment of principal and interest due twice yearly. Secured by facilities and pledge for 20% of State School Aid.
Revenue bond 2016	Average of 4.9%	November, 2035	Issued to refinance revenue bond 2005, which was issued to provide funding for facilities and related renovations. Payment of principal and interest due twice yearly. Secured by facilities and pledge for 20% of State School Aid.

Loan Activity

	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Retirements and Payments</u>	<u>Balance June 30, 2017</u>	<u>Due Within One Year</u>
Capital lease 1	\$ 24,919	\$ -	\$ 24,919	\$ -	\$ -
Revenue bond 2005	22,885,000	-	22,885,000	-	-
Revenue bond 2011	5,545,000	-	80,000	5,465,000	90,000
Revenue bond 2016	-	22,435,000	-	22,435,000	790,000
	<u>\$ 28,454,919</u>	<u>\$ 22,435,000</u>	<u>\$ 22,989,919</u>	27,900,000	<u>\$ 880,000</u>
Plus unamortized premium				417,187	
Total loan activity				<u>\$ 28,317,187</u>	

SUMMIT ACADEMY NORTH

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 8 - LONG-TERM OBLIGATIONS PAYABLE - Continued

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

	<u>Principal</u>	<u>Interest</u>
2018	\$ 880,000	\$ 1,424,681
2019	905,000	1,397,593
2020	935,000	1,363,343
2021	975,000	1,322,493
2022	1,020,000	1,279,906
2023 - 2027	5,850,000	5,645,653
2028 - 2032	7,570,000	3,919,840
2033 - 2037	8,060,000	1,650,643
2038 - 2042	1,705,000	353,600

NOTE 9 – OPERATING LEASES

Lease Information

	<u>Maturity Date</u>	<u>Approximate Payment</u>	<u>Other</u>
Office equipment	April, 2018	\$ 15,485 yearly	Copier leases
Office equipment	February, 2018	\$ 5,845 yearly	Postage meter
Transportation equipment	July, 2020	\$ 132,200 yearly	Bus leases (9)
		<u>\$ 153,530</u>	

The approximate amount of lease obligations coming due during the next four years are as follows:

2018	\$ 147,220
2019	132,200
2020	132,200
2021	11,000

Total lease expense included in the statement of activities for the year ended June 30, 2017 amounted to approximately \$173,910.

SUMMIT ACADEMY NORTH

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 10 – DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS

Organization

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

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

A DB 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 Funded Status

The majority of the members currently participate on a contributory basis, as described above under "Benefits Provided." The Districts are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of members and retiree Other Post-Employment Benefits (OPEB). 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. For retirement and OPEB benefits, the unfunded (overfunded) actuarial accrued liability as of the September 30, 2016 valuation will be amortized over a 20 year period for the 2016 fiscal year.

SUMMIT ACADEMY NORTH

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 10 – DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS - Continued

The schedule below summarizes pension contribution rates in effect for fiscal year 2016:

Benefit Structure	Member	Employer
Basic	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	14.56

Required contributions to the pension plan from the District were \$30,782 for the year ended September 30, 2016.

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

At June 30, 2017, The District reported a liability of \$341,998 for its proportionate share of the MPSERS 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, 2015. The District's proportionate share of the net pension liability was determined by dividing each district's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable districts during the measurement period. At September 30, 2016, the District's proportion was .00137078 percent, which was an increase of .003 percent from its proportion measured as of September 30, 2015.

For the year ended June 30, 2017, the District recognized total pension expense of \$51,511. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,262	\$ 811
Changes of assumptions	5,347	-
Net difference between projected and actual earnings on pension plan investments	5,684	-
Changes in proportion and differences between District contributions and proportionate share of contributions	67,661	96
District contributions subsequent to the measurement date*	29,967	-
Total	\$ 112,921	\$ 907

SUMMIT ACADEMY NORTH

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 10 – DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS - Continued

*Contributions subsequent to the measurement date, reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2018.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended</u> <u>June 30,</u>	<u>Amount</u>
2017	\$ 21,608
2018	21,161
2019	26,816
2020	12,462

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.

SUMMIT ACADEMY NORTH

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 10 – DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS - Continued

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 Return	
MIP and Basic Plans (Non-Hybrid)	8.0 %
Pension Plus Plan (Hybrid)	7.0 %
Projected Salary Increases (including wage inflation at 3.5%):	3.5 - 12.3 %
Cost-of-Living Pension Adjustments (annual non-compounded for MIP members):	3.0 %

Mortality

RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. This assumption was first used for the September 30, 2014 valuation of the System. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.

Notes

- 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.

Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 4.6273

Recognition period for assets in years is 5.0000

Full actuarial assumptions are available in the 2016 MPSERS Comprehensive Annual Financial Report (www.michigan.gov/mpsers-cafr).

SUMMIT ACADEMY NORTH

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 10 – DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS - Continued

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
Total	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.

SUMMIT ACADEMY NORTH

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 10 – DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS - Continued

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

As required by GASB Statement No. 68, the following presents the District's proportionate share of the net pension liability, calculated using a discount rate of 8.0% (7.0% for the Pension Plus Plan), as well as what the District'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%
\$ 440,408	\$ 341,998	\$ 259,030

Michigan Public Schools Employees Retirement System (MPSERS) Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS CAFR.

See the 2015 MPSERS CAFR (www.michigan.gov/documents/orshcools/MPSERS_CAFR_2015_Final_510211_7.pdf)

NOTE 11 - INTERFUND TRANSFERS

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

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Transfer In	\$ 88,503	\$ -	\$ 3,151
Transfer Out	-	91,654	-

As stipulated by the Academy's revenue bond agreements as described in Note 8, the Academy must transfer 20% of its state aid to a trustee. The trustee retains the required portion for debt service and returns the remainder to the Academy. These above transactions account for the major activity in the Academy's interfund transfer accounts.

NOTE 12 - RISK MANAGEMENT

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

SUPPLEMENTARY INFORMATION

SUMMIT ACADEMY NORTH

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues				
Local sources	\$ 143,375	\$ 160,869	\$ 199,169	\$ 38,300
State sources	15,340,664	15,322,922	15,236,340	(86,582)
Federal sources	974,254	1,223,314	1,147,628	(75,686)
Interdistrict sources	182,668	186,268	162,646	(23,622)
Total general fund revenues	16,640,961	16,893,373	16,745,783	(147,590)
Expenditures				
Instruction				
Basic programs	5,116,096	5,234,204	5,026,973	(207,231)
Added needs	1,724,406	1,906,141	1,759,653	(146,488)
Support services				
Pupil support services	500,257	458,665	459,974	1,309
Instructional staff support services	253,624	342,585	321,446	(21,139)
General administration	1,003,490	1,835,093	1,811,978	(23,115)
School administration	1,582,659	1,585,262	1,620,318	35,056
Business support services	275,300	278,839	312,381	33,542
Operations and maintenance	1,207,619	1,189,861	1,193,911	4,050
Pupil transportation services	676,567	721,826	745,664	23,838
Central support services	866,913	866,420	885,628	19,208
Athletic activities	535,429	501,496	516,714	15,218
Community services	120,092	167,836	155,959	(11,877)
Capital outlay	319,000	486,720	382,749	(103,971)
Debt principal and interest	-	24,542,195	24,540,401	(1,794)
Total general fund expenditures	14,181,452	40,117,143	39,733,749	(383,394)
Excess (deficiency) of revenues over expenditures	2,459,509	(23,223,770)	(22,987,966)	235,804
Other Financing Sources (Uses)				
Proceeds from long-term debt	-	22,435,000	22,435,000	-
Premium on bond issuance	-	417,187	417,187	-
Operating transfers in	-	86,508	88,503	1,995
Operating transfers out	(2,440,232)	-	-	-
Total other financing sources (uses)	(2,440,232)	22,938,695	22,940,690	1,995
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	19,277	(285,075)	(47,276)	237,799
Fund balance - July 1, 2016	3,024,827	3,024,827	3,024,827	-
Fund balance - June 30, 2017	\$ 3,044,104	\$ 2,739,752	\$ 2,977,551	\$ 237,799

SUMMIT ACADEMY NORTH

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF SUMMIT ACADEMY NORTH'S PROPORTIONATE SHARE OF THE NET PENSION
LIABILITY MICHIGAN PUBLIC SCHOOL EMPLOYEE'S RETIREMENT SYSTEM
DETERMINED AS OF THE PLAN YEAR ENDED SEPTEMBER 30, 2016

Academy's proportion of net pension liability	0.00137%
Academy's proportionate share of net pension liability	341,998
Academy's covered-employee payroll	126,610
Academy's proportionate share of net pension liability as a percentage of its covered-employee payroll	270%
Plan fiduciary net position as a percentage of total pension liability	63.27%

SUMMIT ACADEMY NORTH

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF SUMMIT ACADEMY NORTH'S CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEE'S RETIREMENT SYSTEM
DETERMINED AS OF THE YEAR ENDED JUNE 30, 2017

Statutorially required contributions	\$ 30,782
Contributions in relation to statutorial required contributions	<u>35,758</u>
Contribution deficiency / (excess)	(4,976)
Academy's covered-employee payroll	122,239
Contributions as a percentage of covered-employee payroll	25.18%

SUMMIT ACADEMY NORTH

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES FOR THE YEAR ENDED JUNE 30, 2017

Benefit changes – See Note 10 to the financial statement for discussion of benefit terms and assumptions.

Changes in Assumptions – See Note 10 to the financial statement for discussion of changes in assumptions.

SUMMIT ACADEMY NORTH

SUPPLEMENTARY INFORMATION COMBINING BALANCE SHEET – NON-MAJOR FUNDS JUNE 30, 2017

ASSETS

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total</u>
Cash and cash equivalents	\$ 48,841	\$ -	\$ 48,841
Investments	-	285,276	285,276
Due from other funds	70,449	-	70,449
Total assets	<u>\$ 119,290</u>	<u>\$ 285,276</u>	<u>\$ 404,566</u>

LIABILITIES AND FUND BALANCE

Fund Balance			
Restricted	<u>119,290</u>	<u>285,276</u>	<u>404,566</u>
Total liabilities and fund balance	<u>\$ 119,290</u>	<u>\$ 285,276</u>	<u>\$ 404,566</u>

SUMMIT ACADEMY NORTH

SUPPLEMENTARY INFORMATION
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE – NON-MAJOR FUNDS
 FOR THE YEAR ENDED JUNE 30, 2017

	Special Revenue	Capital Projects	Total
Revenues			
Local sources	\$ 69,482	\$ 297	\$ 69,779
State sources	14,399	-	14,399
Federal sources	592,056	-	592,056
	675,937	297	676,234
Expenditures			
Support services			
Food services	650,077	-	650,077
Excess (deficiency) of revenues over expenditures	25,860	297	26,157
Other Financing Sources (Uses)			
Operating transfers in	-	3,151	3,151
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	25,860	3,448	29,308
Fund balance - July 1, 2016	93,430	281,828	375,258
Fund balance - June 30, 2017	\$ 119,290	\$ 285,276	\$ 404,566

SUMMIT ACADEMY NORTH

SCHEDULE OF REVENUES – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2017

Local Sources

Earnings on investments	\$ 1,982
Student activities	37,078
Other local revenues	<u>160,109</u>
Total local sources	199,169

State Sources

At risk	664,084
Special education	244,149
State aid	<u>14,328,107</u>
Total state sources	15,236,340

Federal Sources

IDEA	415,608
Title I	522,750
Title II A	153,578
Title III	11,029
Other program revenue	<u>44,663</u>
Total federal sources	1,147,628

Interdistrict Sources

	<u>162,646</u>
Total general fund revenues	<u>\$ 16,745,783</u>

SUMMIT ACADEMY NORTH

SCHEDULE OF EXPENDITURES – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2017

Basic Programs

Purchased services	\$ 4,434,764
Rentals	43,104
Supplies and materials	496,294
Non-depreciable capital assets	14,442
Other expenditures	38,369
	<hr/>
Total basic programs	5,026,973

Added Needs

Purchased services	1,672,293
Supplies and materials	87,360
	<hr/>
Total added needs	1,759,653

Pupil Support Services

Guidance services	20,576
Health services	8,780
Psychological services	103,480
Speech pathology and audiology	127,547
Social work services	127,225
Other pupil services	72,366
	<hr/>
Total pupil support services	459,974

Instructional Staff Support Services

Purchased services	320,951
Supplies and materials	495
	<hr/>
Total instructional staff support services	321,446

General Administration

Salaries and benefits	195,751
Purchased services	317,175
University oversight	426,852
Other expenditures	872,200
	<hr/>
Total general administration	1,811,978

SUMMIT ACADEMY NORTH

SCHEDULE OF EXPENDITURES – GENERAL FUND - Continued FOR THE YEAR ENDED JUNE 30, 2017

School Administration

Purchased services	1,576,817
Supplies and materials	39,742
Other expenditures	3,759
	<hr/>
Total school administration	1,620,318

Business Support Services

Purchased services	143,281
Other expenditures	169,100
	<hr/>
Total business support services	312,381

Operations and Maintenance

Purchased services	749,281
Repairs and maintenance	130,439
Rentals	27,333
Supplies and materials	282,002
Other expenditures	4,856
	<hr/>
Total operations and maintenance	1,193,911

Pupil Transportation Services

Purchased services	484,460
Repairs and maintenance	35,137
Rentals	146,176
Supplies and materials	68,714
Other expenditures	11,177
	<hr/>
Total pupil transportation services	745,664

Central Support Services

Purchased services	801,219
Supplies and materials	64,368
Other expenditures	20,041
	<hr/>
Total central support services	885,628

SUMMIT ACADEMY NORTH

SCHEDULE OF EXPENDITURES – GENERAL FUND - Continued FOR THE YEAR ENDED JUNE 30, 2017

Athletic Activities

Purchased services	362,564
Supplies and materials	94,113
Other expenditures	<u>60,037</u>
Total athletic activities	516,714

Community Services

Purchased services	144,319
Supplies and materials	<u>11,640</u>
Total community services	155,959

Capital Outlay

382,749

Debt Principal and Interest

24,540,401

Total general fund expenditures

\$ 39,733,749

APPENDIX

Federal Awards Report

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

To the Board of Directors of Summit Academy North

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Summit Academy North, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Summit Academy North's basic financial statements, and have issued our report thereon dated October 25, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Summit Academy North'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Summit Academy North's internal control. Accordingly, we do not express an opinion on the effectiveness of Summit Academy North's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Summit Academy North’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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.



Croskey Lanni, PC

October 25, 2017
Rochester, Michigan

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

To the Board of Directors
of Summit Academy North

Report on Compliance for Each Major Federal Program

We have audited the Summit Academy North's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Summit Academy North's major federal programs for the year ended June 30, 2017. Summit Academy North's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Summit Academy North's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Summit Academy North's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Summit Academy North's compliance.

Opinion on Each Major Federal Program

In our opinion, Summit Academy North complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June, 30, 2017.

Report on Internal Control over Compliance

Management of Summit Academy North is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Summit Academy North's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Summit Academy North's internal control over compliance.

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

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

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



Croskey Lanni, PC

October 25, 2017
Rochester, Michigan

SUMMIT ACADEMY NORTH

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2017

Program Title/Project Number Subrecipient Name	Grant/ Project Number	CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue at July 1, 2016	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2017	Current Year Cash Transferred To Subrecipient
Clusters:										
Child Nutrition Cluster - U.S. Department of Agriculture -										
Passed through Michigan Department of Education:										
Noncash Assitstance (Commodities) -										
National Lunch Program Bonus										
Commodities 2016-17	N/A	10.555	\$ 45,148	\$ -	\$ -	\$ -	\$ 45,148	\$ 45,148	\$ -	\$ -
Cash Assistance:										
National School Lunch Program 2016-17	161960/ 161980 171960/ 171980	10.555	<u>427,938</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>427,938</u>	<u>427,938</u>	<u>-</u>	<u>-</u>
National School Lunch Program (including commodities) Subtotal		10.555	473,086	-	-	-	473,086	473,086	-	-
National School Breakfast Program 2016-17	161970/ 171970	10.553	<u>118,970</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>118,970</u>	<u>118,970</u>	<u>-</u>	<u>-</u>
Total Child Nutrition Cluster			592,056	-	-	-	592,056	592,056	-	-
Special Education Cluster - U.S. Department of Education -										
Passed through the Wayne County RESA										
IDEA Flowthrough:										
IDEA Flowthrough 1516	161450	84.027	371,373	371,373	53,567	-	53,567	-	-	-
IDEA Flowthrough 1617	171450	84.027	<u>415,608</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>341,216</u>	<u>415,608</u>	<u>74,392</u>	<u>-</u>
Total Special Education Cluster		84.027	786,981	371,373	53,567	-	394,783	415,608	74,392	-

See accompanying notes to schedules of expenditures of federal awards

SUMMIT ACADEMY NORTH

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - Continued FOR THE YEAR ENDED JUNE 30, 2017

Program Title/Project Number Subrecipient Name	Grant/ Project Number	CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue at July 1, 2016	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2017	Current Year Cash Transferred To Subrecipient
Other federal awards:										
Passed through the Michigan Department of Education:										
Title I Part A:										
Title I Part A 1516	161530	84.010	559,344	504,192	174,837	-	174,837	-	-	-
Title I Part A 1617	171530	84.010	618,843	-	-	-	439,954	522,751	82,797	-
Total Title I Part A			1,178,187	504,192	174,837	-	614,791	522,751	82,797	-
Title VI Part B:										
Title VI Part B 1516	160660	84.358	35,920	41,467	38,367	-	38,367	-	-	-
Title VI Part B 1617	170660	84.358	44,663	-	-	-	29,830	44,663	14,833	-
Total Title VI Part B			80,583	41,467	38,367	-	68,197	44,663	14,833	-
Title II Part A - Improving Teacher Quality										
Title II Part A 1516	160520	84.367	130,084	109,139	30,454	-	30,454	-	-	-
Title II Part A 1617	170520	84.367	134,873	-	-	-	108,616	123,123	14,507	-
Total Title II Part A			264,957	109,139	30,454	-	139,070	123,123	14,507	-
Total noncluster programs passed through the Michigan Department of Education			1,523,727	654,798	243,658	-	822,058	690,537	112,137	-

See accompanying notes to schedules of expenditures of federal awards

SUMMIT ACADEMY NORTH

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - Continued FOR THE YEAR ENDED JUNE 30, 2017

Program Title/Project Number Subrecipient Name	Grant/ Project Number	CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue at July 1, 2016	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2017	Current Year Cash Transferred To Subrecipient
Passed through the Wayne County RESA:										
Title III										
Title III 1516	160580	84.365A	10,464	3,499	3,499	-	11,029	7,530	-	-
Title III 1617	170580	84.365A	-	-	-	-	-	6,690	6,690	-
Total noncluster programs passed through the Wayne County RESA			<u>10,464</u>	<u>3,499</u>	<u>3,499</u>	<u>-</u>	<u>11,029</u>	<u>14,220</u>	<u>6,690</u>	<u>-</u>
Total federal awards			<u>\$2,913,228</u>	<u>\$ 1,029,670</u>	<u>\$ 300,724</u>	<u>\$ -</u>	<u>\$1,819,926</u>	<u>\$1,712,421</u>	<u>\$ 193,219</u>	<u>\$ -</u>

See accompanying notes to schedules of expenditures of federal awards

SUMMIT ACADEMY NORTH

RECONCILIATION OF BASIC FINANCIAL STATEMENTS FEDERAL REVENUE WITH SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2017

Revenues to Expenditures

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

General fund	\$ 1,147,628
Special revenue fund	<u>592,056</u>
Subtotal	1,739,684
Prior year unavailable revenue collected	(33,953)
Current year unavailable revenue not collected within 60 days	<u>6,690</u>
Federal expenditures per the schedule of expenditures of federal awards	<u><u>\$ 1,712,421</u></u>

Receivables

Receivables from federal sources - As reported on financial statements	\$ 293,219
Timing difference between MDE payment and Academy receipt	<u>100,000</u>
Federal receivables per the schedule of expenditures of federal awards	<u><u>\$ 193,219</u></u>

SUMMIT ACADEMY NORTH

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of Summit Academy North under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Summit Academy North, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Summit Academy North.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3 – INDIRECT COST RATE

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

NOTE 4 - NONCASH ASSISTANCE

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

NOTE 5 - GRANT AUDITOR'S REPORT

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

SUMMIT ACADEMY NORTH

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

SECTION I - SUMMARY OF THE AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
 - Significant deficiency(ies) identified that are not considered to be a material weakness(es)? yes none reported
- Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

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

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? yes no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
#84.010	Title I Part A

Dollar threshold used to distinguish between Type A and Type B programs as described in 2 CFR section 200.518(b): \$750,000

Auditee qualified as low-risk auditee? yes no

SUMMIT ACADEMY NORTH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued
FOR THE YEAR ENDED JUNE 30, 2017

SECTION II – FINANCIAL STATEMENT FINDINGS

None

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None