

Hamilton Academy

Detroit, Michigan

Audited Financial Statements

June 30, 2015

CONTENTS

	<u>Page</u>
Independent Auditor's Report	i – iii
Management's Discussion and Analysis	iv – ix
Basic Financial Statements	
Statement of Net Position	1
Statement of Activities	2
Combined Balance Sheet – All Governmental Funds	3
Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities	4
Statement of Revenues, Expenditures and Changes in Fund Balance – All Governmental Fund Types	5
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities	6
Statement of Fiduciary Net Position	7
Notes to Financial Statements	8 - 17
Supplemental Information	
Budgetary Comparison Schedule – General Fund	18
Schedule of Revenues – General Fund	19
Schedule of Expenditures – General Fund	20 - 21

CONTENTS – Continued

	<u>Page</u>
Appendix- Federal Awards Supplemental Information	
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	A-1 – A-2
Independent Auditor’s Report On Compliance For Each Major Program And On Internal Control Over Compliance Required By OMB Circular A-133	A-3 – A-4
Schedule of Expenditures of Federal Awards	A-5 - A-6
Reconciliation of Basic Financial Statements Federal Receivables and Revenues with Schedule of Expenditures of Federal Awards	A-7
Notes to Schedule of Expenditures of Federal Awards	A-8
Schedule of Findings and Questioned Costs	A-9

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Hamilton Academy

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Hamilton Academy, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Hamilton Academy'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 an opinion 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 judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are the appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities, each major fund, and the aggregate remaining fund information of Hamilton Academy, as of June 30, 2015, and the respective changes in financial position cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages iv - ix and 18 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 provided 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 Hamilton Academy's basic financial statements. The introductory section, combining and individual non-major fund financial statements, statistical section, and schedules of revenues and expenditures 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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 schedule of expenditures of federal awards are the responsibility of management and were derived from and relate 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, the schedule of expenditures of federal awards, and schedules of revenues and expenditures 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 27, 2015 on our consideration of Hamilton Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hamilton Academy's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Croskey Lanni, PC". The signature is written in a cursive style.

Croskey Lanni, PC

October 27, 2015
Rochester, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Hamilton Academy's annual financial report presents our discussion and analysis of the school's financial performance during the fiscal year that ended on June 30, 2015. Please read it in conjunction with the school's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

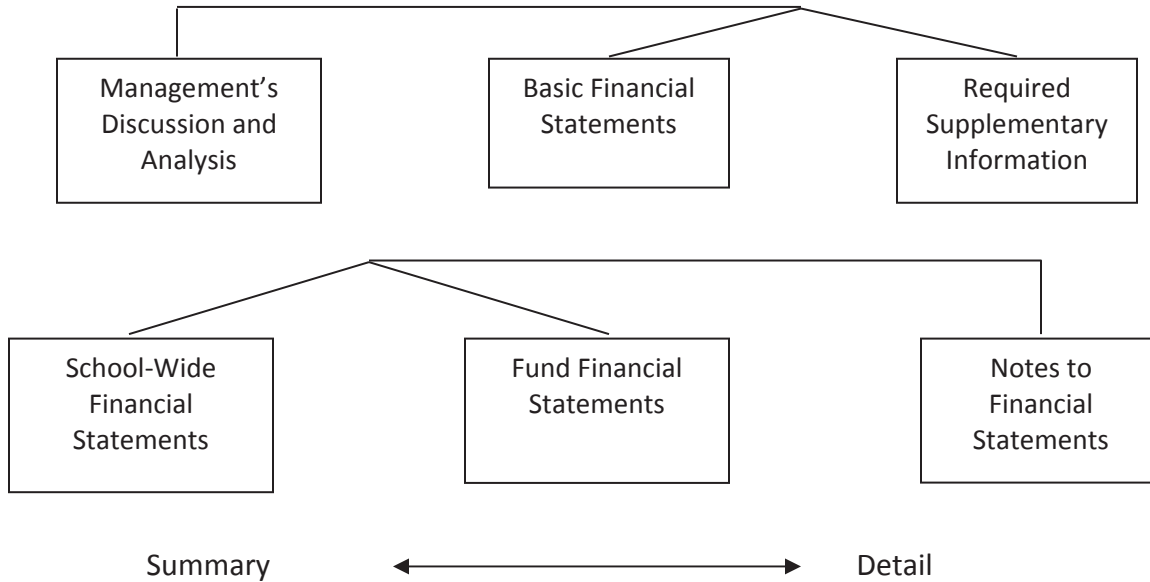
- The school's financial status remained stable, state aid foundation was up slightly from \$7,168 per student to \$7,218 per student. The school's enrollment was down from 329 to 235 students at fall count day.
 - The total cost of basic programs was \$728,467.
- Revenues were at \$3,020,345 while expenditures were \$3,290,602.
 - Blended enrollment used for state aid purposes was 271.85 compared to 327.40 last year.
- The school has a positive fund balance of \$182,933.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The financial statements include two kinds of statements that present different views of the school:

- The first two statements are school-wide financial statements that provide both short-term and long-term information about the school's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the school, reporting the schools operations in more detail.
- The governmental fund statements tell how basic services like regular and special education were financed.
- Fiduciary funds statements provide information about the financial relationships in which the school acts solely as a trustee or agent for the benefit of others. These consist of student activity funds held by the school on behalf of the student group.

Figure A-1
Organization of Hamilton Academy's Annual Financial Report



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

Figure A-2
Major Features of School-Wide and Fund Financial

Fund Financial Statements

	School-Wide Statements	Government Funds	Fiduciary Funds
Scope	Entire school (except fiduciary funds)	The activities of the school that are not proprietary or fiduciary, such as special education and building maintenance.	Instances in which the school administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required Financial Statements	*Statement of net assets *Statement of activities	*Balance sheet *Statement of revenues, expenditures and changes in fund balances	*Statement of fiduciary net assets *Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

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

SCHOOL-WIDE STATEMENTS

The school-wide statements report information about the school as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the school's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two school-wide statements report the school's net assets and how they have changed. Net assets – the difference between the school's assets and liabilities – are one way to measure the school's financial health or position.

- Over time, increases or decreases in the school's assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the school, you need to consider additional non-financial factors such as changes in the school's enrollment and the condition of school buildings and other facilities.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the school's funds, focusing on its most significant or "major" funds – not the school as a whole. Funds are accounting devices the school uses to keep track of specific sources of funding and spending on particular programs:

- *Governmental activities* – Most of the school's basic services are included in the general fund, such as regular and special education and administration. State foundation aid finances most of these activities.
- The school establishes other funds to control and manage money for particular purposes (like repaying its long-term debts) or to show that it is properly using certain revenues.

The school has two kinds of funds:

- *Governmental funds* – Most of the school's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the school's programs. Because this information does not encompass the additional long-term focus of the school-wide statements, we provide additional information with governmental funds statements that explains the relationship (or differences) between them.
- *Fiduciary funds* – The school is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. We exclude these activities from the school-wide financial statements because the school cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

The comparison of current year to prior year financial information is on the following pages. See tables A-3, A-4, and A-5.

The school's financial position is the product of many factors.

School governmental

The stability of the school's finances is a result of the following measures:

- Maintaining and/or accumulating a strong fund balance. Unfortunately recent circumstances have caused a decline in the fund balance. This can be explained by three key factors
 - The arbitration case EMAN vs. Hamilton Academy resulting in the academy incurring a \$326,000 loss
 - High legal expenses related to the above referenced case
 - The loss of students from the 2013/2014 school year, caused by two key factors
 - A highly transient neighborhood
 - A series of storms in the late summer of 2014 which left the surrounding area without power and water for several weeks, causing families to move from the area. This situation effected not only the Academy's enrollment but enrollment from all schools in the surrounding area.
- The Academy is constantly seeking available funding through grants, and received the following Grant funding
 - Title IA
 - Title II
 - IDEA
 - TRIG (Technology Readiness Infrastructure Grant)
- Securing a loan from the Michigan Finance Authority to bridge the month of September in which no state aid funds are received, when needed.

General Fund Budgetary Analysis

Over the course of the year, the school reviewed the annual operating budget several times. All invoices were paid in a timely matter.

- The Academy has a payment arrangements for currently booked legal fees

Financial Outlook

Hamilton Academy's financial forecast is optimistic for the long term.

- The school continues to follow the reform plan, resulting in an average of two years growth for students, which will assist the Academy in attracting new students
- The Academy is continuing to receive significant grant funding from both Federal and State sources
- The management company continuously monitors the budget and has set forth a long term plan for financial success and growth in the fund balance
- The payments to EMAN resulting from the arbitration case will be completed at the end of the 2015/2016 school year.

**Table A-3
HA's Net Position**

	2015	2014
Current and other assets	\$ 652,602	\$ 920,664
Capital assets	21,641	24,348
Total Assets	674,243	945,012
Other liabilities	469,669	467,474
Net position:		
Net investment in capital assets	21,641	24,348
Unrestricted	182,933	453,190
Total Net Position	\$ 204,574	\$ 477,538

**Table A-4
Changes in HA's Net Position**

	2015	2014
Revenues:		
Program revenues:		
Charges for services	\$ -	\$ -
Federal and State operating grants	1,026,942	1,176,935
General Revenues:		
State aid-unrestricted	1,992,563	2,333,256
Miscellaneous	840	31,200
Total revenues	3,020,345	3,541,391
Expenses:		
Instruction	1,174,562	1,300,681
Support services	2,111,764	2,163,625
Unallocated depreciation	6,983	3,942
Total expenses	3,293,309	3,468,248
Change in net position	\$ (272,964)	\$ 73,143

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2015, the Academy had invested \$35,272 in capital assets, including computers and software. See table A-5 below for a listing of capital assets, and the accumulated depreciation.

Table A-5
HA's Capital Assets

	Balance June 30, 2015	Balance June 30, 2014
Computers	\$ 20,223	\$ 15,947
Equipment and furniture	15,049	15,049
Subtotal	35,272	30,996
Less: accumulated depreciation	13,631	6,648
Net book value of assets	<u>\$ 21,641</u>	<u>\$ 24,348</u>

Long-term Debt

Currently Hamilton Academy does not have long term.

FACTORS BEARING ON THE SCHOOL'S FUTURE

- Positive student and parent feedback
- Student achievement has increased over two years growth in each grade level
- Positive staff morale
- New salary and benefit rubrics have resulted in a staff retention rate of over 90%
- State aid foundation increases along with state, federal and local grants
- The District/Academy will exit Priority School Status in the 2016/2017 school year
- The District/Academy is up for re-authorization this year

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our students, parents and creditors with a general overview of the school's finances and to demonstrate the school's accountability for the money it receives. If you have questions about this report or need additional information, the management company at:

Hamilton Academy, c/o Educational Partnerships, Inc., 30233 Southfield Road, Ste. 209, Southfield, MI, 48076

HAMILTON ACADEMY

STATEMENT OF NET POSITION
JUNE 30, 2015
See Independent Auditor's Report

ASSETS AND DEFERRED OUTFLOWS

Current Assets

Cash and cash equivalents	\$	10,317
Due from other governmental units		572,012
Prepaid expenses		<u>70,273</u>
Total current assets		652,602

Capital Assets - Net of Accumulated Depreciation

		<u>21,641</u>
Total assets and deferred outflows	\$	<u><u>674,243</u></u>

LIABILITIES, DEFERRED INFLOWS AND NET POSITION

Current Liabilities

Accounts payable	\$	134,573
Notes payable		41,565
Other accrued expenses		<u>293,531</u>
Total current liabilities		469,669

Net Position

Net investment in capital assets		21,641
Unrestricted		<u>182,933</u>
Total net position		<u>204,574</u>
Total liabilities, deferred inflows and net position	\$	<u><u>674,243</u></u>

See accompanying notes to financial statements

HAMILTON ACADEMY

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015
See Independent Auditor's Report

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenues and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants</u>	<u>Government Type Activities</u>
Functions				
Instruction				
Basic programs	\$ 728,467	\$ -	\$ 139,079	\$ (589,388)
Added needs	446,095	-	432,182	(13,913)
Support services				
Pupil support services	134,915	-	97,977	(36,938)
Instructional staff support services	242,493	-	103,678	(138,815)
General administration	553,242	-	-	(553,242)
School administration	229,484	-	-	(229,484)
Business support services	114,611	-	14,522	(100,089)
Operations and maintenance	537,470	-	51,734	(485,736)
Pupil transportation services	113,019	-	17,660	(95,359)
Central support services	4,446	-	-	(4,446)
Athletic activities	750	-	-	(750)
Food services	179,225	-	168,001	(11,224)
Community services	2,109	-	2,109	-
Unallocated depreciation	6,983	-	-	(6,983)
	<u>\$ 3,293,309</u>	<u>\$ -</u>	<u>\$ 1,026,942</u>	<u>(2,266,367)</u>
General Purpose Revenues				
State school aid - unrestricted				1,992,563
Miscellaneous revenues				840
				<u>1,993,403</u>
Change in net position				(272,964)
Net position - July 1, 2014				<u>477,538</u>
Net position - June 30, 2015				<u>\$ 204,574</u>

See accompanying notes to financial statements

HAMILTON ACADEMY

COMBINED BALANCE SHEET – ALL GOVERNMENTAL FUNDS

JUNE 30, 2015

See Independent Auditor's Report

ASSETS

Cash and cash equivalents	\$	10,317
Due from other governmental units		572,012
Prepaid expenses		<u>70,273</u>
Total assets	\$	<u><u>652,602</u></u>

LIABILITIES AND FUND BALANCE

Liabilities

Accounts payable	\$	134,573
Notes payable		41,565
Other accrued expenses		<u>293,531</u>
Total liabilities		469,669

Fund Balance

Nonspendable		70,273
Unassigned		<u>112,660</u>
Total fund balance		<u>182,933</u>
Total liabilities and fund balance	\$	<u><u>652,602</u></u>

See accompanying notes to financial statements

HAMILTON ACADEMY

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET POSITION
OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2015

See Independent Auditor's Report

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

Total Governmental Fund Balances	\$ 182,933
---	------------

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$35,272 and the accumulated depreciation is \$13,631.

<u>21,641</u>

Net Position of Governmental Activities	<u><u>\$ 204,574</u></u>
--	--------------------------

HAMILTON ACADEMY

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE – ALL GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015
See Independent Auditor's Report

	<u>General</u>	<u>Non-Major Special Revenue</u>	<u>Total</u>
Revenues			
Local sources	\$ 840	\$ -	\$ 840
State sources	2,222,850	4,519	2,227,369
Federal sources	628,654	163,482	792,136
 Total governmental fund revenues	 2,852,344	 168,001	 3,020,345
Expenditures			
Instruction			
Basic programs	728,467	-	728,467
Added needs	446,095	-	446,095
Support services			
Pupil support services	134,915	-	134,915
Instructional staff support services	242,493	-	242,493
General administration	553,242	-	553,242
School administration	229,484	-	229,484
Business support services	114,611	-	114,611
Operations and maintenance	537,470	-	537,470
Pupil transportation services	113,019	-	113,019
Central support services	4,446	-	4,446
Athletic activities	750	-	750
Food services	-	179,225	179,225
Community services	2,109	-	2,109
Capital outlay	4,276	-	4,276
 Total governmental fund expenditures	 3,111,377	 179,225	 3,290,602
 Excess (deficiency) of revenues over expenditures	 (259,033)	 (11,224)	 (270,257)
Other Financing Sources (Uses)			
Operating transfers in	-	11,224	11,224
Operating transfers out	(11,224)	-	(11,224)
 Total other financing sources (uses)	 (11,224)	 11,224	 -
 Excess (deficiency) of revenues and other financing sources over expenditures and other uses	 (270,257)	 -	 (270,257)
 Fund balance - July 1, 2014	 453,190	 -	 453,190
 Fund balance - June 30, 2015	 <u>\$ 182,933</u>	 <u>\$ -</u>	 <u>\$ 182,933</u>

See accompanying notes to financial statements

HAMILTON ACADEMY

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, 2015
See Independent Auditor's Report

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

Net Change in Fund Balances - Total Governmental Funds \$ (270,257)

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	\$ 4,276	
Depreciation and amortization expense	<u>(6,983)</u>	<u>(2,707)</u>

Change in Net Position of Governmental Activities \$ (272,964)

HAMILTON ACADEMY

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUND

JUNE 30, 2015

See Independent Auditor's Report

ASSETS

Cash and cash equivalents	<u>\$ 1,604</u>
Total assets	<u><u>\$ 1,604</u></u>

LIABILITIES

Due to student groups	<u>\$ 1,604</u>
Total liabilities	<u><u>\$ 1,604</u></u>

HAMILTON ACADEMY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015 See Independent Auditor's Report

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Hamilton Academy (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

Hamilton Academy 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, and began operation in July, 2011.

The Academy executed a contract with Detroit Public Schools' 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 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 Detroit Public Schools' Board of Trustees three percent of state aid as administrative fees. Total administrative fees paid for the year ended June 30, 2015 were approximately \$59,480.

In October 2013, the Academy entered into an agreement with Educational Partnerships, Inc ("EPI"). Under the terms of this agreement, EPI provides a variety of services including financial management, educational programs and consulting, as well as teacher training. The Academy is obligated to pay EPI two percent of the money, grants, fees and credits received by the Academy from the State of Michigan. The total paid for these services amounted to approximately \$80,000 for the year ended June 30, 2015.

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.

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.

HAMILTON ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2015
See Independent Auditor's Report

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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, which the Academy does not currently maintain, 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, which the Academy does not currently maintain, accounts for financial resources to be used for the acquisition, construction, or improvement of capital facilities.

Fiduciary Fund – The fiduciary fund 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 measurements of results of operations.

Activity (Agency) Fund – The Academy presently maintains an activity fund to record the transactions of a student group for school and school-related purposes. The fund is 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:

- 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 inventorable types of supplies, which are not significant at year end, are recorded as expenditures at the time of purchase.
- c. Principal and interest of general long-term debt are not recorded as expenditures until their due dates.

HAMILTON ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2015
See Independent Auditor's Report

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

- 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. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or function is self financing or draws from the general revenues of the Academy. When both restricted and unrestricted resources are available for use, it is the Academy's policy to use restricted resources first.

Net position should be reported as restricted when constraints placed on net position use are 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.

HAMILTON ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2015
See Independent Auditor's Report

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 no investments during the year ended June 30, 2015. 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, 2015 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 2015 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, 2015, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

Capital Assets and Depreciation

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

All reported capital assets, with the exception of land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. 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

HAMILTON ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2015
See Independent Auditor's Report

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, the non-current portion of 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, 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.

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.

HAMILTON ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2015
See Independent Auditor's Report

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

- 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.

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, 2015 the budget was amended in a legally permissible manner. The Academy incurred expenditures in certain budgetary functions insignificantly in excess of the amounts appropriated for the year ended June 30, 2015 as detailed on page 18 of these financial statements.

NOTE 3 - DEPOSITS AND INVESTMENTS

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.

HAMILTON ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2015
See Independent Auditor's Report

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, 2015, the Academy held no investments.

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. As of June 30, 2015, the Academy was not exposed to concentrated credit risk.

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, 2015, none of the Academy's cash was uninsured. All cash balances were uncollateralized as of June 30, 2015.

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.

HAMILTON ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2015
See Independent Auditor's Report

NOTE 4 – DUE FROM OTHER GOVERNMENTAL UNITS

Amounts due from other governmental units consist of the following:

Local sources	\$	100
State sources		394,693
Federal sources		<u>177,219</u>
Total	<u>\$</u>	<u>572,012</u>

NOTE 5 - CAPITAL ASSETS

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

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2015</u>
Capital assets subject to depreciation				
Equipment	\$ 7,549	\$ -	\$ -	\$ 7,549
Computer	15,947	4,276	-	20,223
Other	<u>7,500</u>	<u>-</u>	<u>-</u>	<u>7,500</u>
Sub-total	30,996	4,276	-	35,272
Accumulated depreciaion				
Equipment	377	1,510	-	1,887
Computer	5,896	3,973	-	9,869
Other	<u>375</u>	<u>1,500</u>	<u>-</u>	<u>1,875</u>
Sub-total	<u>6,648</u>	<u>6,983</u>	<u>-</u>	<u>13,631</u>
Total net capital assets	<u>\$ 24,348</u>	<u>\$ (2,707)</u>	<u>\$ -</u>	<u>\$ 21,641</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.

HAMILTON ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
 FOR THE YEAR ENDED JUNE 30, 2015
 See Independent Auditor's Report

NOTE 6 – NOTE PAYABLE

Notes payable as of June 30, 2015 can be summarized as follows:

Loan Information

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Other</u>
14/15 SAAN	2.80%	August, 2015	Issued to provide operating funds for school before first state aid payment is received. Secured by future state school aid payments and Academy assets.
13/14 SAAN	3.30%	August, 2014	Paid in full as of June 30, 2015.

Loan Activity

	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Retirements and Payments</u>	<u>Balance June 30, 2015</u>
14/15 SAAN	\$ -	\$ 231,000	\$ 189,435	\$ 41,565
13/14 SAAN	54,545	-	54,545	-
	<u>\$ 54,545</u>	<u>\$ 231,000</u>	<u>\$ 243,980</u>	<u>\$ 41,565</u>

NOTE 7 – OTHER ACCRUED EXPENSES

Accrued expenses may be summarized as follows:

Purchased services - payroll and benefits	\$ 255,166
Oversight fee	38,365
Total accrued expenses	<u>\$ 293,531</u>

NOTE 8 - RETIREMENT PLAN

All employees leased by the Academy are eligible to participate in a retirement plan established by EPI which qualifies under the provisions of Section 401(k) of the Internal Revenue Code. The employer under this plan will match the employees contribution, up to a maximum of 4%. Eligible employees may contribute up to 15% of their salaries under the terms of this plan.

HAMILTON ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2015
See Independent Auditor's Report

NOTE 9 – OPERATING LEASE

Following is the Academy's summarized leasing obligations:

Lease Information

	<u>Maturity Date</u>	<u>Approximate Payment</u>	<u>Other</u>
Facilities	Jun-16	Variable	Rent is equal to seven percent of total state aid payments received by the Academy. Paid directly to authorizer.

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

2016			\$ 160,000
------	--	--	------------

Total lease expense included in the statement of activities for the year ended June 30, 2015 amounted to approximately \$152,000.

NOTE 10 - INTERFUND TRANSFERS

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

	<u>General</u>	<u>Special Revenue</u>
Transfer In	\$ -	\$ 11,224
Transfer Out	11,224	-

The general fund subsidizes the Special Revenue Fund's school lunch activities. These above transactions account for the major activity in the Academy's inter-fund transfer accounts.

NOTE 11 - RISK MANAGEMENT

The Academy is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (worker's compensation), as well as medical benefits provided to employees. 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.

SUPPLEMENTAL INFORMATION

HAMILTON ACADEMY

REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015
See Independent Auditor’s Report

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues				
Local sources	\$ -	\$ 825	\$ 840	\$ 15
State sources	2,757,907	2,268,053	2,222,850	(45,203)
Federal sources	547,518	701,626	628,654	(72,972)
 Total governmental fund revenues	 3,305,425	 2,970,504	 2,852,344	 (118,160)
Expenditures				
Instruction				
Basic Programs	822,784	738,337	728,467	(9,870)
Added needs	677,178	473,849	446,095	(27,754)
Support Services				
Pupil support services	40,000	141,933	134,915	(7,018)
Instructional staff support services	176,616	255,442	242,493	(12,949)
General administration	427,173	580,710	553,242	(27,468)
School administration	228,196	230,122	229,484	(638)
Business support services	105,284	122,765	114,611	(8,154)
Operations and maintenance	648,599	563,342	537,470	(25,872)
Pupil transportation services	84,704	121,670	113,019	(8,651)
Central support services	-	4,500	4,446	(54)
Athletic activities	-	-	750	750
Community services	1,500	5,945	2,109	(3,836)
Capital outlay	-	-	4,276	4,276
 Total governmental fund expenditures	 3,212,034	 3,238,615	 3,111,377	 (127,238)
 Excess (deficiency) of revenues over expenditures	 93,391	 (268,111)	 (259,033)	 9,078
Other Financing Sources (Uses)				
Operating transfers out	-	(12,169)	(11,224)	945
 Excess (deficiency) of revenues and other financing sources over expenditures and other uses	 93,391	 (280,280)	 (270,257)	 10,023
 Fund balance - July 1, 2014	 453,190	 453,190	 453,190	 -
 Fund balance - June 30, 2015	 <u>\$ 546,581</u>	 <u>\$ 172,910</u>	 <u>\$ 182,933</u>	 <u>\$ 10,023</u>

HAMILTON ACADEMY

SCHEDULE OF REVENUES – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2015 See Independent Auditor’s Report

Local Sources

Other local revenues	\$	840
----------------------	----	-----

State Sources

At risk		231,400
Special education		(1,113)
State aid		<u>1,992,563</u>

Total state sources		<u>2,222,850</u>
---------------------	--	------------------

Federal Sources

IDEA		49,480
Title I		468,976
Title II A		<u>110,198</u>

Total federal sources		<u>628,654</u>
-----------------------	--	----------------

Total general fund revenues	\$	<u><u>2,852,344</u></u>
-----------------------------	----	-------------------------

HAMILTON ACADEMY

SCHEDULE OF EXPENDITURES – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2015 See Independent Auditor’s Report

Basic Programs

Purchased services	\$ 504,555
Other purchased services	63,982
Supplies and materials	<u>159,930</u>
Total basic programs	728,467

Added Needs

Purchased services	430,190
Other purchased services	3,071
Supplies and materials	<u>12,834</u>
Total added needs	446,095

Pupil Support Services

Guidance services	72,646
Health services	14,823
Psychological services	7,000
Speech pathology and audiology	15,115
Social work services	<u>25,331</u>
Total pupil support services	134,915

Instructional Staff Support Services

Purchased services	173,421
Other purchased services	<u>69,072</u>
Total instructional staff support services	242,493

General Administration

Purchased services	548,553
Supplies and materials	<u>4,689</u>
Total general administration	553,242

School Administration

Purchased services	217,394
Other purchased services	10,556
Supplies and materials	<u>1,534</u>
Total school administration	229,484

HAMILTON ACADEMY

SCHEDULE OF EXPENDITURES – GENERAL FUND - Continued
FOR THE YEAR ENDED JUNE 30, 2015
See Independent Auditor’s Report

Business Support Services

Purchased services	79,416
Rentals	9,851
Other purchased services	14,522
Supplies and materials	7,083
Other expenditures	3,739
	<hr/>
Total business support services	114,611

Operations and Maintenance

Purchased services	126,562
Repairs and maintenance	22,659
Rentals	151,649
Other purchased services	170,016
Supplies and materials	66,584
	<hr/>
Total operations and maintenance	537,470

Pupil Transportation Services

Purchased services	113,019
--------------------	---------

Central Support Services

Purchased services	4,446
--------------------	-------

Athletic Activities

Other purchased services	750
--------------------------	-----

Community Services

Other purchased services	1,829
Supplies and materials	280
	<hr/>
Total community services	2,109

Capital Outlay

	<hr/>
Total general fund expenditures	<u>\$ 3,111,377</u>

APPENDIX

Federal Awards

Supplemental Information

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 Hamilton Academy**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hamilton Academy, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Hamilton Academy's basic financial statements, and have issued our report thereon dated October 27, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



Croskey Lanni, PC

October 27, 2015
Rochester, Michigan

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

**To the Board of Directors
of Hamilton Academy**

Report on Compliance for Each Major Federal Program

We have audited Hamilton Academy's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Hamilton Academy's major federal programs for the year ended June 30, 2015. Hamilton Academy'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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Hamilton Academy'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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 Hamilton Academy'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 Hamilton Academy's compliance.

Opinion on Each Major Federal Program

In our opinion, Hamilton Academy, 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, 2015.

Report on Internal Control Over Compliance

Management of Hamilton Academy 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 Hamilton Academy'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 OMB Circular A-133, 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 Hamilton Academy'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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Croskey Lanni, PC

October 27, 2015
Rochester, Michigan

HAMILTON ACADEMY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2015

Program Title/Project Number Subrecipient Name	CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue at July 1, 2014	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2015
US Department of Agriculture								
Passed through Michigan Department of Education:								
Child Nutrition Cluster								
School Lunch Breakfast Program	10.553	\$ 41,654	-	\$ 5,661	-	\$ 41,654	\$ 42,979	\$ 6,986
National School Lunch Program	10.555	118,921	-	11,364	-	118,921	109,858	2,301
Entitlement Commodities	10.555	10,645	-	-	-	10,645	10,645	-
		171,220	-	17,025	-	171,220	163,482	9,287
Total US Department of Agriculture, Passed through Michigan Department of Education								
US Department of Education								
Passed through Wayne County RESA								
I.D.E.A. Cluster	84.027	49,480	-	-	-	49,480	49,480	-
		49,480	-	-	-	49,480	49,480	-
Total US Department of Education Passed through Wayne County RESA								

See notes to schedule of expenditures of federal awards

HAMILTON ACADEMY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - Continued
FOR THE YEAR ENDED JUNE 30, 2015

Program Title/Project Number Subrecipient Name	CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue at July 1, 2014	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Accrued (Deferred) Revenue at June 30, 2015
US Department of Education							
Passed through Michigan Department of Education							
Title I							
141530 1314	84.010	598,583	490,746	96,210	-	122,032	25,822
151530 1415		-	-	-	-	369,173	443,154
Total Title I Cluster		598,583	490,746	96,210	-	491,205	468,976
Title II A							
140520 1314	84.367	123,995	55,755	28,120	-	31,410	3,290
150520 1415		-	-	-	-	66,450	105,188
Total US Department of Education		722,578	546,501	124,330	-	589,065	577,454
Passed through Michigan Department of Education		\$ 943,278	\$ 546,501	\$ 141,355	\$ -	\$ 809,765	\$ 790,416
Total federal awards							\$ 122,006

HAMILTON ACADEMY

RECONCILIATION OF BASIC FINANCIAL STATEMENTS FEDERAL RECEIVABLES AND REVENUES WITH SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2015

Revenues to Expenditures

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

General Fund	\$ 628,654
Special Revenue Fund	<u>163,482</u>
Subtotal	792,136
Refund of Title IIA from 13/14 audit	<u>1,720</u>
Federal expenditures per the schedule of expenditures of federal awards	<u><u>\$ 790,416</u></u>

Receivables

Receivables from federal sources - As reported on financial statements	\$ 177,219
Timing differences between MDE payment and Academy receipt	<u>55,213</u>
Federal receivables per the schedule of expenditures of federal awards	<u><u>\$ 122,006</u></u>

HAMILTON ACADEMY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Hamilton Academy under programs of the federal government for the year ended June 30, 2015. Expenditures reported on the Schedule are reported on the same basis of accounting as the basic financial statements, although the basis for determining when federal awards are expended is presented in accordance with requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. In addition, expenditures reported on the Schedule are recognized following the cost principles contained in OMB Circular A-87, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Because the Schedule presents only a selected portion of the operations of Hamilton Academy, it is not intended to and does not present the financial position, changes in net assets, or cash flows, if applicable, of Hamilton Academy. Pass-through entity identifying numbers are presented where available.

NOTE 2 - NONCASH ASSISTANCE

The value of the noncash assistance received was determined in accordance with the provisions of OMB Circular A-133.

NOTE 3 - 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.

HAMILTON ACADEMY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2015

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 _X_no
- Significant deficiency(ies) identified that are not considered to be a material weakness(es)? ___yes _X_no
- Noncompliance material to financial statements noted? ___yes _X_no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ___yes _X_no
- Significant deficiency(ies) identified that are not considered to be a material weakness(es)? ___yes _X_no

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 Section 510(a) of Circular A-133? ___yes _X_no

Identification of major programs:

CFDA Number(s)
#84.010

Name of Federal Program or Cluster
Title I

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? ___yes _X_no

SECTION II – FINANCIAL STATEMENT FINDINGS

None

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None