

October 25, 2016

To the School Board and Management of
Hamilton Academy

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hamilton Academy for the year ended, June 30, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Hamilton Academy are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2016. We noted no transactions entered into by Hamilton Academy during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Management's estimate of depreciation is based on management's best judgment of the useful lives of the assets. We evaluated the key factors and assumptions used to develop the depreciable lives in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated, October 25, 2016.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

We applied certain limited procedures to the Budgetary Comparison Schedule and the Schedule of Expenditures of Federal awards, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the Schedules of Revenues and Expenditures, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the information and use of the Board of Directors and Management of Hamilton Academy and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,



Croskey Lanni, PC



David M. Croskey, CPA
Thomas B. Lanni, CPA
Carolyn A. Jones, CPA, CFP® MST
Clifton F. Powell Jr., CPA, CFP®, PFS
Roger J. DeJong, CPA
Patrick M. Sweeney, CPA
Leonard A. Geronemus, CPA, PFS

October 25, 2016

Hamilton Academy
14223 Southampton Street
Detroit, MI 48213

To Whom It May Concern:

Please be advised that there was not a separate management comment letter that was provided in connection with the audit of the financial statements for the year ended June 30, 2016.

Very truly yours,
Croskey Lanni, PC

Patrick M. Sweeney, C.P.A.

Audited Financial Statements

Hamilton Academy

Detroit, Michigan

June 30, 2016

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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 the Hamilton Academy as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the 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 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 the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Hamilton Academy as of June 30, 2016, and the respective changes in financial position, 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 v-x 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 the 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 Hamilton Academy's basic financial statements. The introductory section, combining and individual nonmajor 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 combining and individual nonmajor fund financial statements and the schedules of revenues and expenditures 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 nonmajor fund financial statements and the 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 25, 2016, 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.



Croskey Lanni, PC

Rochester, Michigan
October 25, 2016

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 the Hamilton Academy, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Hamilton Academy's basic financial statements, and have issued our report thereon dated October 25, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the 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 the 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

Rochester, Michigan
October 25, 2016

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, 2016. Please read it in conjunction with the school’s financial statements, which immediately follow this section.

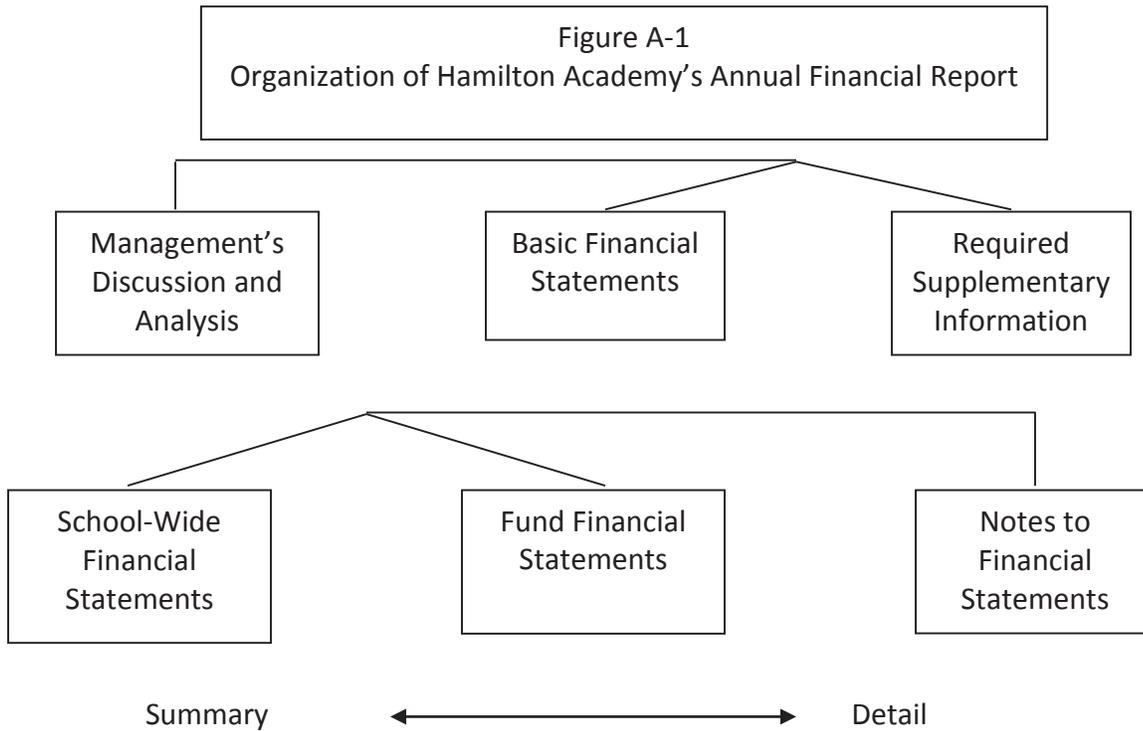
FINANCIAL HIGHLIGHTS

- The school’s financial status has been challenged due to the arbitration settlement, which has been paid off during the 2015/2016 school year.
- The state aid foundation allowance was up slightly from \$7,218 per student to \$7,391 per student. T
 - The total cost of basic programs was \$562,635
 - The total cost of added needs was \$393,792
- General Funds revenues were at \$2,569,586 while expenditures were \$2,690,141
 - Blended enrollment used for state aid purposes was 259.78 compared to 271.85 last year
- The school has a positive fund balance of \$60,563
- The School was granted a three year continuance on their charter with the authorizer

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 basic 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.



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 Statements

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 position *Statement of activities	*Balance sheet *Statement of revenues, expenditures and changes in fund balances	*Statement of fiduciary net position *Statement of changes in fiduciary net position
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 schools 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 position 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 position and how they have changed. Net position – 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 position 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 the following 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 condition of the building and necessary repairs.
 - The political climate and public reception of schools, and school operations within the State.
- 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)
 - Early Literacy 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 arrangement for currently booked legal fees.

Financial Outlook

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

- 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 settlement of the arbitration case was paid off in full in August of 2016. Legal bills are expected to be paid off by the end of the 2016 calendar year.
- Early indications show that enrollment for the 2016/2017 school year is up and continuing to rise.

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

	2016	2015
Current and other assets	\$ 530,978	\$ 652,602
Capital assets	14,586	21,641
Total Assets	545,564	674,243
Other liabilities	470,415	469,669
Net position:		
Net investment in capital assets	14,586	21,641
Unrestricted	60,563	182,933
Total Net Position	\$ 75,149	\$ 204,574

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

	2016	2015
Revenues:		
Program revenues:		
Charges for services	\$ -	\$ -
Federal and State operating grants	845,583	1,026,942
General Revenues:		
State aid-unrestricted	1,921,045	1,992,563
Miscellaneous	950	840
Total revenues	2,767,578	3,020,345
Expenses:		
Instruction	973,239	1,174,562
Support services	1,916,709	2,111,764
Unallocated depreciation	7,054	6,983
Total expenses	2,897,002	3,293,309
Change in net position	\$ (129,424)	\$ (272,964)

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2016, 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

	<u>Balance</u> <u>June 30, 2016</u>	<u>Balance</u> <u>June 30, 2015</u>
Computers	\$ 20,223	\$ 20,223
Equipment and furniture	15,049	15,049
Subtotal	35,272	35,272
Less: accumulated depreciation	20,686	13,632
Net book value of assets	<u>\$ 14,586</u>	<u>\$ 21,640</u>

Long-term Debt

Currently Hamilton Academy does not have long term debt.

FACTORS BEARING ON THE SCHOOL'S FUTURE

- Positive student and parent feedback
- Increase in student enrollment
- 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
- State monitoring by the School Reform Office, which has been moved out of the Department of Education within the State of Michigan, along with the restructuring of Detroit Public Schools has changed the position of the academy's ranking with the State. The School will work diligently to provide every opportunity for its students to exceed expectations on state testing mandates

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, 2016

See Independent Auditor's Report

ASSETS AND DEFERRED OUTFLOWS

Current Assets

Cash and cash equivalents	\$	45,826
Due from agency funds		233
Due from other governmental units		484,919
Total current assets		530,978

Capital Assets - Net of Accumulated Depreciation

14,586

Total assets and deferred outflows

\$ 545,564

LIABILITIES, DEFERRED INFLOWS AND NET POSITION

Current Liabilities

Accounts payable	\$	199,868
Notes payable		41,304
Unearned revenue		6,290
Other accrued expenses		222,953
Total current liabilities		470,415

Net Position

Net investment in capital assets		14,586
Unrestricted		60,563
Total net position		75,149
Total liabilities, deferred inflows and net position	\$	545,564

See accompanying notes to financial statements

HAMILTON ACADEMY

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016
See Independent Auditor's Report

		Program Revenues		Net (Expense) Revenues and Changes in Net Position
	Expenses	Charges for Services	Operating Grants	Government Type Activities
Functions				
Instruction				
Basic programs	\$ 562,635	\$ -	\$ 134,242	\$ (428,393)
Added needs	410,604	-	359,116	(51,488)
Support services				
Pupil support services	63,633	-	33,660	(29,973)
Instructional staff support services	197,837	-	85,708	(112,129)
General administration	354,420	-	-	(354,420)
School administration	166,061	-	-	(166,061)
Business support services	415,077	-	12,965	(402,112)
Operations and maintenance	419,154	-	22,807	(396,347)
Pupil transportation services	107,738	-	12,200	(95,538)
Central support services	6,089	-	-	(6,089)
Food services	182,995	-	181,180	(1,815)
Community services	3,705	-	3,705	-
Unallocated depreciation	7,054	-	-	(7,054)
Total primary government	\$ 2,897,002	\$ -	\$ 845,583	(2,051,419)
General Purpose Revenues				
State school aid - unrestricted				1,921,045
Miscellaneous revenues				950
Total general purpose revenues				1,921,995
Change in net position				(129,424)
Net position - July 1, 2015				204,573
Net position - June 30, 2016				\$ 75,149

See accompanying notes to financial statements

HAMILTON ACADEMY

COMBINED BALANCE SHEET – ALL GOVERNMENTAL FUNDS

JUNE 30, 2016

See Independent Auditor's Report

ASSETS

	General	Non-Major Special Revenue	Total
Cash and cash equivalents	\$ 45,826	\$ -	\$ 45,826
Due from agency funds	233	-	233
Due from other governmental units	484,919	-	484,919
Due from other funds	-	4,927	4,927
	\$ 530,978	\$ 4,927	\$ 535,905
Total assets	\$ 530,978	\$ 4,927	\$ 535,905

LIABILITIES AND FUND BALANCE

Liabilities

Accounts payable	\$ 194,941	\$ 4,927	\$ 199,868
Notes payable	41,304	-	41,304
Due to other funds	4,927	-	4,927
Unearned revenue	6,290	-	6,290
Other accrued expenses	222,953	-	222,953
	470,415	4,927	475,342
Total liabilities	470,415	4,927	475,342

Fund Balance

Unassigned	60,563	-	60,563
	60,563	-	60,563
Total liabilities and fund balance	\$ 530,978	\$ 4,927	\$ 535,905

See accompanying notes to financial statements

HAMILTON ACADEMY

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET POSITION
OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2016

See Independent Auditor's Report

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

Total Governmental Fund Balances	\$ 60,563
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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 \$20,686.

<u>14,586</u>

Net Position of Governmental Activities	<u><u>\$ 75,149</u></u>
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HAMILTON ACADEMY

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE – ALL GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016
See Independent Auditor's Report

	<u>General</u>	<u>Non-Major Special Revenue</u>	<u>Total</u>
Revenues			
Local sources	\$ 950	\$ -	\$ 950
State sources	2,051,462	2,920	2,054,382
Federal sources	517,174	178,260	695,434
	<hr/>	<hr/>	<hr/>
Total governmental fund revenues	2,569,586	181,180	2,750,766
Expenditures			
Instruction			
Basic programs	562,635	-	562,635
Added needs	393,792	-	393,792
Support services			
Pupil support services	63,633	-	63,633
Instructional staff support services	197,837	-	197,837
General administration	354,420	-	354,420
School administration	166,061	-	166,061
Business support services	415,077	-	415,077
Operations and maintenance	419,154	-	419,154
Pupil transportation services	107,738	-	107,738
Central support services	6,089	-	6,089
Food services	-	182,995	182,995
Community services	3,705	-	3,705
	<hr/>	<hr/>	<hr/>
Total governmental fund expenditures	2,690,141	182,995	2,873,136
Excess (deficiency) of revenues over expenditures	(120,555)	(1,815)	(122,370)
Other Financing Sources (Uses)			
Operating transfers in	-	1,815	1,815
Operating transfers out	(1,815)	-	(1,815)
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	(1,815)	1,815	-
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	(122,370)	-	(122,370)
Fund balance - July 1, 2015	182,933	-	182,933
	<hr/>	<hr/>	<hr/>
Fund balance - June 30, 2016	\$ 60,563	\$ -	\$ 60,563
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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, 2016
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 \$ (122,370)

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

Depreciation and amortization expense (7,054)

Change in Net Position of Governmental Activities \$ (129,424)

HAMILTON ACADEMY

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUND

JUNE 30, 2016

See Independent Auditor's Report

ASSETS

Cash and cash equivalents	\$ 1,281
Total assets	<u>\$ 1,281</u>

LIABILITIES

Due to general fund	\$ 233
Due to student groups	<u>1,048</u>
Total liabilities	<u>\$ 1,281</u>

HAMILTON ACADEMY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016 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, 2016 were approximately \$57,240.

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, 2016.

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, 2016
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, 2016
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, 2016
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, 2016. 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, 2016 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 2016 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, 2016, 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, 2016
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, 2016
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, 2016 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, 2016 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, 2016
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, 2016, 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, 2016, 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, 2016, none of the Academy's cash was uninsured. All cash balances were uncollateralized as of June 30, 2016.

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.

NOTE 4 – DUE FROM OTHER GOVERNMENTAL UNITS

Amounts due from other governmental units consist of the following:

State sources	\$	378,905
Federal sources		<u>106,014</u>
Total	\$	<u><u>484,919</u></u>

HAMILTON ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
 FOR THE YEAR ENDED JUNE 30, 2016
 See Independent Auditor's Report

NOTE 5 - CAPITAL ASSETS

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

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2016</u>
Capital assets subject to depreciation				
Equipment	\$ 7,549	\$ -	\$ -	\$ 7,549
Computer	20,223	-	-	20,223
Other	7,500	-	-	7,500
Sub-total	35,272	-	-	35,272
Accumulated depreciation				
Equipment	1,887	1,510	-	3,397
Computer	9,870	4,044	-	13,914
Other	1,875	1,500	-	3,375
Sub-total	13,632	7,054	-	20,686
Total net capital assets	<u>\$ 21,640</u>	<u>\$ (7,054)</u>	<u>\$ -</u>	<u>\$ 14,586</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.

NOTE 6 – NOTE PAYABLE

Notes payable as of June 30, 2016 can be summarized as follows:

Loan Information

	<u>Interest</u> <u>Rate</u>	<u>Maturity</u> <u>Date</u>	<u>Other</u>
14/15 SAAN	2.80%	August, 2015	Paid in full as of June 30, 2016.
15/16 SAAN	3.20%	August, 2016	Issued to provide operating funds for school before first state aid payment is received. Secured by future state school aid payments and Academy assets.

HAMILTON ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2016
See Independent Auditor's Report

NOTE 6 – NOTE PAYABLE - Continued

Loan Activity

	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Retirements and Payments</u>	<u>Balance June 30, 2016</u>
14/15 SAAN	\$ 41,565	\$ -	\$ 41,565	\$ -
15/16 SAAN	-	223,000	181,696	41,304
	<u>\$ 41,565</u>	<u>\$ 223,000</u>	<u>\$ 223,261</u>	<u>\$ 41,304</u>

NOTE 7 – OTHER ACCRUED EXPENSES

Accrued expenses may be summarized as follows:

Purchased services - payroll and benefits	\$ 193,448
Oversight fee	10,564
Rent	<u>18,941</u>
Total accrued expenses	<u>\$ 222,953</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, 2016
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-17	Variable	Rent is equal to seven percent of total state aid payments received by the Academy. Paid directly to authorizer. The agreement has been renewed for an additional year with payments being five percent of total state aid payments.

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

2017	\$	104,000
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Total lease expense included in the statement of activities for the year ended June 30, 2016 amounted to approximately \$135,430.

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	\$ -	\$ 1,815
Transfer Out	1,815	-

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.

SUPPLEMENTARY INFORMATION

HAMILTON ACADEMY

REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2016
 See Independent Auditor’s Report

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues				
Local sources	\$ -	\$ 950	\$ 950	\$ -
State sources	2,090,971	2,045,329	2,051,462	6,133
Federal sources	554,966	518,551	517,174	(1,377)
Total governmental fund revenues	2,645,937	2,564,830	2,569,586	4,756
Expenditures				
Instruction				
Basic Programs	556,650	564,684	562,635	(2,049)
Added needs	412,413	389,278	393,792	4,514
Support Services				
Pupil support services	70,000	66,800	63,633	(3,167)
Instructional staff support services	114,389	198,582	197,837	(745)
General administration	384,444	355,306	354,420	(886)
School administration	159,727	166,493	166,061	(432)
Business support services	421,566	415,607	415,077	(530)
Operations and maintenance	441,231	428,733	419,154	(9,579)
Pupil transportation services	107,550	109,910	107,738	(2,172)
Central support services	5,000	6,100	6,089	(11)
Community services	2,277	3,707	3,705	(2)
Total governmental fund expenditures	2,675,247	2,705,200	2,690,141	(15,059)
Excess (deficiency) of revenues over expenditures	(29,310)	(140,370)	(120,555)	19,815
Other Financing Sources (Uses)				
Operating transfers out	-	(2,500)	(1,815)	685
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	(29,310)	(142,870)	(122,370)	20,500
Fund balance - July 1, 2015	182,933	182,933	182,933	-
Fund balance - June 30, 2016	<u>\$ 153,623</u>	<u>\$ 40,063</u>	<u>\$ 60,563</u>	<u>\$ 20,500</u>

HAMILTON ACADEMY

SCHEDULE OF REVENUES – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2016 See Independent Auditor’s Report

Local Sources

Other local revenues	\$	950
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State Sources

At risk		147,229
Special education		(16,812)
State aid		1,921,045

Total state sources		<u>2,051,462</u>
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Federal Sources

IDEA		36,420
Title I		414,448
Title II A		66,306

Total federal sources		<u>517,174</u>
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Total general fund revenues	\$	<u><u>2,569,586</u></u>
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HAMILTON ACADEMY

SCHEDULE OF EXPENDITURES – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016
See Independent Auditor’s Report

Basic Programs

Purchased services	\$ 515,522
Other purchased services	21,726
Supplies and materials	<u>25,387</u>
Total basic programs	562,635

Added Needs

Purchased services	311,699
Other purchased services	1,742
Supplies and materials	<u>80,351</u>
Total added needs	393,792

Pupil Support Services

Health services	16,573
Psychological services	6,755
Speech pathology and audiology	6,645
Social work services	<u>33,660</u>
Total pupil support services	63,633

Instructional Staff Support Services

Purchased services	183,646
Other purchased services	<u>14,191</u>
Total instructional staff support services	197,837

General Administration

Purchased services	325,438
Supplies and materials	<u>28,982</u>
Total general administration	354,420

School Administration

Purchased services	153,826
Other purchased services	6,020
Supplies and materials	<u>6,215</u>
Total school administration	166,061

HAMILTON ACADEMY

SCHEDULE OF EXPENDITURES – GENERAL FUND - Continued
FOR THE YEAR ENDED JUNE 30, 2016
See Independent Auditor’s Report

Business Support Services

Purchased services	76,560
Rentals	8,866
Other purchased services	14,235
Supplies and materials	310,695
Other expenditures	4,721
	<hr/>
Total business support services	415,077

Operations and Maintenance

Purchased services	123,671
Repairs and maintenance	15,945
Rentals	135,433
Other purchased services	96,742
Supplies and materials	47,363
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Total operations and maintenance	419,154

Pupil Transportation Services

Purchased services	107,738
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Central Support Services

Purchased services	6,089
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Community Services

Other purchased services	3,705
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Total general fund expenditures	<u><u>\$ 2,690,141</u></u>
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October 25, 2016

Croskey Lanni, PC
345 Diversion, Suite 400
Rochester, Michigan 48307

This representation letter is provided in connection with your audit(s) of the financial statements of Hamilton Academy, which comprise the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information as of June 30, 2016, and the respective changes in financial position and the related notes to the financial statements, for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of October 25, 2016, the following representations made to you during your audit.

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated May 6, 2015, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
2. The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government required by generally accepted accounting principles to be included in the financial reporting entity.

3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
5. Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
6. Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
7. Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.
8. The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole for each opinion unit. A list of the uncorrected misstatements is attached to the representation letter.
9. The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
10. Guarantees, whether written or oral, under which the Academy is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

11. We have provided you with:
 - a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
 - b. Additional information that you have requested from us for the purpose of the audit.

- c. Unrestricted access to persons within the Academy from whom you determined it necessary to obtain audit evidence.
 - d. Minutes of the meetings of Hamilton Academy or summaries of actions of recent meetings for which minutes have not yet been prepared.
12. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
13. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
14. We have no knowledge of any fraud or suspected fraud that affects the Academy and involves:
 - Management,
 - Employees who have significant roles in internal control, or
 - Others where the fraud could have a material effect on the financial statements.
15. We have no knowledge of any allegations of fraud or suspected fraud affecting the Academy's financial statements communicated by employees, former employees, regulators, or others.
16. We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
17. We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
18. We have disclosed to you the identity of the Academy's related parties and all the related party relationships and transactions of which we are aware.
19. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

Government-specific

20. We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
21. The Academy has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
22. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and legal and contractual provisions for reporting specific activities in separate funds.
23. We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
24. We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
25. We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
26. There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.

27. As part of your audit, you assisted with preparation of the financial statements and related notes. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designing an individual, preferably within senior management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and related notes.
28. The Academy has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
29. The Academy has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
30. The financial statements properly classify all funds and activities in accordance with GASB Statement No. 34.
31. All funds that meet the quantitative criteria in GASBS Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
32. Components of net position (net investment in capital assets; restricted; and unrestricted) and classifications of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
33. Provisions for uncollectible receivables have been properly identified and recorded.
34. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
35. Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.

36. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
37. Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.
38. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
39. We have appropriately disclosed the Academy's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
40. We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. The policy determines the fund balance classifications for financial reporting purposes.
41. We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
42. With respect to the schedules of revenues and expenditures:
 - a. We acknowledge our responsibility for presenting the schedules of revenues and expenditures in accordance with accounting principles generally accepted in the United States of America, and we believe the schedules of revenues and expenditures, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the schedules of revenues and expenditures have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.

- b. If the schedules of revenues and expenditures is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.

Signature: _____

Title: _____