

**Audited Financial Statements**

# **Hamilton Academy**

Detroit, Michigan

**June 30, 2017**

## CONTENTS

	<u>Page</u>
<b>Independent Auditor’s Report</b>	i - ii
<b>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 <i>Government Auditing Standards</i></b>	iii - iv
<b>Management’s Discussion and Analysis</b>	v - x
<b>Basic Financial Statements</b>	
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 Funds	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 - 18
<b>Supplementary Information</b>	
Budgetary Comparison Schedule – General Fund	19
Schedule of Revenues – General Fund	20
Schedule of Expenditures – General Fund	21 - 22
Schedule of Findings and Responses	23 - 24

## 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, 2017, 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, 2017, 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, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and 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 non-major fund financial statements, 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 combining and individual non-major 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 non-major 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, 2017, 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 the effectiveness of Hamilton Academy's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hamilton Academy's internal control over financial reporting and compliance.

  
Croskey Lanni, PC

October 25, 2017  
Rochester, Michigan



## 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, 2017, 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, 2017

### 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. 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. We consider the deficiencies described as 2017-001 in the accompanying schedule of findings and responses to be material weaknesses.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2017-002.

### **Hamilton Academy's Response to Findings**

Hamilton Academy's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Hamilton Academy's response was not subjected to the auditing procedures applied in the audit to the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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



Croskey Lanni, PC

October 25, 2017  
Rochester, Michigan

## **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, 2017. Please read it in conjunction with the school's financial statements, which immediately follow this section.

### **FINANCIAL HIGHLIGHTS**

- The school's financial status has improved since the payoff of the arbitration settlement, at the end of the 2015/2016 school year.
- The state aid foundation allowance was up slightly from \$7,391 per student to \$7,511 per student.
  - The total cost of basic programs was \$739,489
  - The total cost of added needs was \$396,034
- General Fund revenues were at \$2,821,785 while expenditures were \$2,643,784.
  - Blended enrollment used for state aid purposes was 285.84 compared to 259.78 last year
- The school has a positive fund balance of \$235,909.
- The School completed year one of 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.



## **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 academy's finances is a result of the following measures:

- Maintaining and/or accumulating a strong fund balance. Recent circumstances have caused an increase in the fund balance. This can be explained by the following key factors:
  - The arbitration case EMAN vs. Hamilton Academy was paid off at the end of the 2015-2016 school year.
  - All legal fees associated with the arbitration case have been paid in full.
  - Increases in per pupil foundation.
  - Incremental increases in grant allocations.
- Continued financial challenges to the academy include:
  - The condition of the building and necessary repairs.
  - The political climate and public reception of schools, and school operations within the State.
  - Transient nature of student population.
- The Academy is constantly seeking available funding through grants, and received the following Grant funding.
  - Title IA
  - Title II
  - IDEA
  - Early Literacy Grant
  - Section 31a
- 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.

### 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 associated with the arbitration case have been paid in full.
- Early indications show that enrollment for the 2017-2018 school year is about the same as it was for the 2016-2017 school year.

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

	<u>2017</u>	<u>2016</u>
Current and other assets	\$ 595,918	\$ 530,978
Capital assets	8,498	14,586
<b>Total Assets</b>	<u>604,416</u>	<u>545,564</u>
Other liabilities	360,009	470,415
Net position:		
Net investment in capital assets	8,498	14,586
Unrestricted	235,909	60,563
<b>Total Net Position</b>	<u>\$ 244,407</u>	<u>\$ 75,149</u>

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

	<u>2017</u>	<u>2016</u>
Revenues:		
Program revenues:		
Charges for services	\$ -	\$ -
Federal and State operating grants	847,560	845,583
General Revenues:		
State aid-unrestricted	2,141,063	1,921,045
Miscellaneous	25,975	950
<b>Total revenues</b>	<u>3,014,598</u>	<u>2,767,578</u>
Expenses:		
Instruction	1,135,523	973,239
Support services	1,703,729	1,916,709
Unallocated depreciation	6,088	7,054
<b>Total expenses</b>	<u>2,845,340</u>	<u>2,897,002</u>
<b>Change in net position</b>	<u>\$ 169,258</u>	<u>\$ (129,424)</u>

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

By the end of 2017, 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, 2017</u>	<u>Balance</u> <u>June 30, 2016</u>
Computers	\$ 20,223	\$ 20,223
Equipment and furniture	15,049	15,049
Subtotal	35,272	35,272
Less: accumulated depreciation	26,774	20,686
Net book value of assets	<u>\$ 8,498</u>	<u>\$ 14,586</u>

### Long-term Debt

Currently Hamilton Academy does not have long term debt.

### FACTORS BEARING ON THE SCHOOL'S FUTURE

- Addition of board members with financial and academic experience.
- Removal from the State Priority School listing.
- Removal from State financial oversight.
- Stabilized student enrollment.
- Increased student growth in Reading and Math.
  - Math, all but one class exceeded NWEA projections and five of our grades scored in the 90<sup>th</sup> percentile compared to national norms.
  - In Reading, most grades met or exceeded NWEA projections and four grades scored in the 80<sup>th</sup> and 90<sup>th</sup> percentile.
- Positive student and parent feedback.
- New staff salary and benefit rubrics have resulted in a staff retention rate of 88%.
- State aid foundation increase.
- Certified and highly qualified teachers in all core classes.
- Approximately a 10% decrease in federal grants and increases in state and local grants.
- Creation of new state grant opportunities.

### 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, 2017

### ASSETS AND DEFERRED OUTFLOWS

#### Current Assets

Cash and cash equivalents	\$	75,876
Due from other governmental units		<u>520,042</u>
Total current assets		595,918

#### Capital Assets - Net of Accumulated Depreciation

8,498

Total assets and deferred outflows \$ 604,416

### LIABILITIES, DEFERRED INFLOWS AND NET POSITION

#### Current Liabilities

Accounts payable	\$	52,091
Notes payable		38,800
Other accrued expenses		<u>269,118</u>
Total current liabilities		360,009

#### Net Position

Net investment in capital assets		8,498
Unrestricted		<u>235,909</u>
Total net position		<u>244,407</u>
Total liabilities, deferred inflows and net position	\$	<u>604,416</u>

See accompanying notes to financial statements

## HAMILTON ACADEMY

### STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2017

	Expenses	Program Revenues		Net (Expense) Revenues and Changes in Net Position
		Charges for Services	Operating Grants	Government Type Activities
<b>Functions</b>				
Instruction				
Basic programs	\$ 739,489	\$ -	\$ 179,550	\$ (559,939)
Added needs	396,034	-	350,884	(45,150)
Support services				
Pupil support services	62,841	-	12,990	(49,851)
Instructional staff support services	191,092	-	85,077	(106,015)
General administration	419,454	-	-	(419,454)
School administration	212,231	-	-	(212,231)
Business support services	110,864	-	12,421	(98,443)
Operations and maintenance	392,465	-	-	(392,465)
Pupil transportation services	110,070	-	10,080	(99,990)
Central support services	5,499	-	-	(5,499)
Food services	195,468	-	192,813	(2,655)
Community services	3,745	-	3,745	-
Unallocated depreciation	6,088	-	-	(6,088)
Total primary government	<u>\$ 2,845,340</u>	<u>\$ -</u>	<u>\$ 847,560</u>	<u>(1,997,780)</u>
<b>General Purpose Revenues</b>				
State school aid - unrestricted				2,141,063
Miscellaneous revenues				<u>25,975</u>
Total general purpose revenues				<u>2,167,038</u>
Change in net position				169,258
Net position - July 1, 2016				<u>75,149</u>
Net position - June 30, 2017				<u>\$ 244,407</u>

See accompanying notes to financial statements

## HAMILTON ACADEMY

### COMBINED BALANCE SHEET – ALL GOVERNMENTAL FUNDS

JUNE 30, 2017

#### ASSETS

	General	Non-Major Special Revenue	Total
Cash and cash equivalents	\$ 75,876	\$ -	\$ 75,876
Due from other governmental units	520,042	-	520,042
Due from other funds	-	10,354	10,354
	\$ 595,918	\$ 10,354	\$ 606,272
Total assets	\$ 595,918	\$ 10,354	\$ 606,272

#### LIABILITIES AND FUND BALANCE

##### Liabilities

Accounts payable	\$ 41,737	\$ 10,354	\$ 52,091
Notes payable	38,800	-	38,800
Due to other funds	10,354	-	10,354
Other accrued expenses	269,118	-	269,118
	360,009	10,354	370,363
Total liabilities	360,009	10,354	370,363

##### Fund Balance

Unassigned	235,909	-	235,909
	\$ 595,918	\$ 10,354	\$ 606,272
Total liabilities and fund balance	\$ 595,918	\$ 10,354	\$ 606,272

See accompanying notes to financial statements

## HAMILTON ACADEMY

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

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

<b>Total Governmental Fund Balances</b>	\$ 235,909
---	------------

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 \$26,774.

<u>8,498</u>
--------------

<b>Net Position of Governmental Activities</b>	<u><u>\$ 244,407</u></u>
--	--------------------------

## HAMILTON ACADEMY

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

	<u>General</u>	<u>Non-Major Special Revenue</u>	<u>Total</u>
<b>Revenues</b>			
Local sources	\$ 25,975	\$ -	\$ 25,975
State sources	2,311,381	2,421	2,313,802
Federal sources	484,429	190,392	674,821
	<hr/>	<hr/>	<hr/>
Total governmental fund revenues	2,821,785	192,813	3,014,598
<b>Expenditures</b>			
Instruction			
Basic programs	739,489	-	739,489
Added needs	396,034	-	396,034
Support services			
Pupil support services	62,841	-	62,841
Instructional staff support services	191,092	-	191,092
General administration	419,454	-	419,454
School administration	212,231	-	212,231
Business support services	110,864	-	110,864
Operations and maintenance	392,465	-	392,465
Pupil transportation services	110,070	-	110,070
Central support services	5,499	-	5,499
Food services	-	195,468	195,468
Community services	3,745	-	3,745
	<hr/>	<hr/>	<hr/>
Total governmental fund expenditures	2,643,784	195,468	2,839,252
Excess (deficiency) of revenues over expenditures	178,001	(2,655)	175,346
<b>Other Financing Sources (Uses)</b>			
Operating transfers in	-	2,655	2,655
Operating transfers out	(2,655)	-	(2,655)
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	(2,655)	2,655	-
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	175,346	-	175,346
Fund balance - July 1, 2016	60,563	-	60,563
	<hr/>	<hr/>	<hr/>
Fund balance - June 30, 2017	\$ 235,909	\$ -	\$ 235,909
	<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, 2017

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

<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$ 175,346
---	------------

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	<u>(6,088)</u>
---------------------------------------	----------------

<b>Change in Net Position of Governmental Activities</b>	<u>\$ 169,258</u>
--	-------------------

# HAMILTON ACADEMY

## STATEMENT OF FIDUCIARY NET POSITION FIDUCIARY FUND JUNE 30, 2017

### ASSETS

Cash and cash equivalents	\$ 1,844
Total assets	<u>\$ 1,844</u>

### LIABILITIES

Due to student groups	\$ 1,844
Total liabilities	<u>\$ 1,844</u>

# HAMILTON ACADEMY

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

### **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, 2017 were approximately \$64,810.

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 \$110,000 for the year ended June 30, 2017.

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, 2017

## 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, 2017

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

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, 2017

### 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, 2017. State statutes authorize the Academy to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, saving accounts, deposit accounts, and or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Corporation or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The Academy is also authorized to invest in U.S. Government or Federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

#### Receivables

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

#### Prepaid Assets

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

#### 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, 2017

## 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, 2017

### 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. There are no governmental funds with a deficit.

#### Estimates

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

### NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. State law requires the Academy to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. The Academy is required by law to adopt general and special revenue fund budgets. During the year ended June 30, 2017 the budget was amended in a legally permissible manner. The Academy incurred expenditures in certain budgetary functions in excess of the amounts appropriated for the year ended June 30, 2017 as detailed on page 19 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, 2017

### **NOTE 3 - DEPOSITS AND INVESTMENTS - Continued**

#### **Credit Risk**

State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2017, the Academy 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, 2017, 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, 2017, none of the Academy's cash was uninsured. All cash balances were uncollateralized as of June 30, 2017.

#### **Custodial Credit Risk - Investments**

For an investment, this is the risk that, in the event of the failure of the counterparty, the Academy will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The Academy will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the Academy will do business.

#### **Foreign Currency Risk**

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

# HAMILTON ACADEMY

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

## NOTE 3 - DEPOSITS AND INVESTMENTS - Continued

### Fair Value

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

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

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

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

## NOTE 4 – DUE FROM OTHER GOVERNMENTAL UNITS

Amounts due from other governmental units consist of the following:

State sources	\$ 369,251
Federal sources	<u>150,791</u>
Total	<u><u>\$ 520,042</u></u>

## HAMILTON ACADEMY

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

### NOTE 5 - CAPITAL ASSETS

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

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2017</u>
Capital assets subject to depreciation				
Equipment	\$ 7,549	\$ -	\$ -	\$ 7,549
Computer	20,223	-	-	20,223
Other	7,500	-	-	7,500
	<hr/>	<hr/>	<hr/>	<hr/>
Sub-total	35,272	-	-	35,272
Accumulated depreciaion				
Equipment	3,397	1,510	-	4,907
Computer	13,914	3,078	-	16,992
Other	3,375	1,500	-	4,875
	<hr/>	<hr/>	<hr/>	<hr/>
Sub-total	20,686	6,088	-	26,774
	<hr/>	<hr/>	<hr/>	<hr/>
Total net capital assets	<u>\$ 14,586</u>	<u>\$ (6,088)</u>	<u>\$ -</u>	<u>\$ 8,498</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, 2017

### NOTE 6 – NOTES PAYABLE

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

#### Loan Information

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Other</u>
15/16 SAAN	3.20%	August, 2016	Paid in full as of June 30, 2017.
16/17 SAAN	3.30%	August, 2017	Issued to provide operating funds for school before first state aid payment is received. Secured by future state school aid payments and Academy assets.

#### Loan Activity

	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Retirements and Payments</u>	<u>Balance June 30, 2017</u>
15/16 SAAN	\$ 41,304	\$ -	\$ 41,304	\$ -
16/17 SAAN	-	216,000	177,200	38,800
	<u>\$ 41,304</u>	<u>\$ 216,000</u>	<u>\$ 218,504</u>	<u>\$ 38,800</u>

### NOTE 7 – OTHER ACCRUED EXPENSES

Other accrued expenses may be summarized as follows:

Purchased services - payroll and benefits	\$ 244,743
Oversight fee	11,794
Rent	<u>12,581</u>
Total other accrued expenses	<u>\$ 269,118</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. 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, 2017

### 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	June, 2019	Variable	Rent for 16/17 is paid at the lessor of 5% of total revenues received, or 7% of the sum of \$1 times the square footage times 12. For June 2017-2019 rent is 5% of state revenues

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

2018	\$	108,000
2019		108,000

Total lease expense included in the statement of activities for the year ended June 30, 2017 amounted to approximately \$69,200.

### 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	\$ -	\$ 2,655
Transfer Out	2,655	-

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, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Revenues</b>				
Local sources	\$ -	\$ 25,975	\$ 25,975	\$ -
State sources	2,250,016	2,314,183	2,311,381	(2,802)
Federal sources	495,757	507,464	484,429	(23,035)
Total general fund revenues	2,745,773	2,847,622	2,821,785	(25,837)
<b>Expenditures</b>				
Instruction				
Basic Programs	775,170	737,388	739,489	2,101
Added needs	357,725	401,073	396,034	(5,039)
Support Services				
Pupil support services	80,000	60,721	62,841	2,120
Instructional staff support services	179,281	204,342	191,092	(13,250)
General administration	383,942	413,169	419,454	6,285
School administration	206,416	213,350	212,231	(1,119)
Business support services	116,713	114,568	110,864	(3,704)
Operations and maintenance	445,359	393,117	392,465	(652)
Pupil transportation services	111,820	113,750	110,070	(3,680)
Central support services	5,000	5,200	5,499	299
Community services	6,515	3,746	3,745	(1)
Total general fund expenditures	2,667,941	2,660,424	2,643,784	(16,640)
Excess (deficiency) of revenues over expenditures	77,832	187,198	178,001	(9,197)
<b>Other Financing Sources (Uses)</b>				
Operating transfers out	-	-	(2,655)	(2,655)
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	77,832	187,198	175,346	(11,852)
Fund balance - July 1, 2016	60,563	60,563	60,563	-
Fund balance - June 30, 2017	<u>\$ 138,395</u>	<u>\$ 247,761</u>	<u>\$ 235,909</u>	<u>\$ (11,852)</u>

# HAMILTON ACADEMY

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

### Local Sources

Other local revenues	\$ 25,975
----------------------	-----------

### State Sources

At risk	153,585
---------	---------

Special education	16,733
-------------------	--------

State aid	<u>2,141,063</u>
-----------	------------------

Total state sources	2,311,381
---------------------	-----------

### Federal Sources

IDEA	51,596
------	--------

Title I	374,862
---------	---------

Title II A	<u>57,971</u>
------------	---------------

Total federal sources	<u>484,429</u>
-----------------------	----------------

Total general fund revenues	<u>\$ 2,821,785</u>
-----------------------------	---------------------

## HAMILTON ACADEMY

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

#### Basic Programs

Purchased services	\$ 636,785
Other purchased services	57,172
Supplies and materials	45,532
	<hr/>
Total basic programs	739,489

#### Added Needs

Purchased services	345,386
Other purchased services	48,790
Supplies and materials	1,858
	<hr/>
Total added needs	396,034

#### Pupil Support Services

Health services	12,569
Psychological services	5,583
Speech pathology and audiology	16,403
Social work services	28,286
	<hr/>
Total pupil support services	62,841

#### Instructional Staff Support Services

Purchased services	155,242
Other purchased services	35,850
	<hr/>
Total instructional staff support services	191,092

#### General Administration

Purchased services	377,403
Supplies and materials	42,051
	<hr/>
Total general administration	419,454

#### School Administration

Purchased services	196,084
Other purchased services	4,849
Supplies and materials	11,298
	<hr/>
Total school administration	212,231

## HAMILTON ACADEMY

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

#### **Business Support Services**

Purchased services	71,439
Rentals	12,645
Other purchased services	16,421
Supplies and materials	5,725
Other expenditures	4,634
	<hr/>
Total business support services	110,864

#### **Operations and Maintenance**

Purchased services	142,524
Repairs and maintenance	36,382
Rentals	69,197
Other purchased services	86,691
Supplies and materials	57,671
	<hr/>
Total operations and maintenance	392,465

#### **Pupil Transportation Services**

Purchased services	110,070
--------------------	---------

#### **Central Support Services**

Purchased services	5,499
--------------------	-------

#### **Community Services**

Other purchased services	1,895
Supplies and materials	1,850
	<hr/>
Total community services	3,745

Total general fund expenditures	<hr/> <hr/> <u>\$ 2,643,784</u>
---------------------------------	---------------------------------

## HAMILTON ACADEMY

### SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED JUNE 30, 2017

#### Reference Number

#### Findings

2017-001

**Finding Type** – Material Weakness

**Criteria** – The Academy’s internal control structure should ensure that accounting data is properly calculated, reconciled and reported in accordance with generally accepted accounting principles.

**Condition** – The Academy’s general ledger was not fully reconciled at the time of the audit, resulting in several adjustments needed to bring balances in line. Additionally, once reconciled, it was noted that the Academy was overcharged approximately \$20,760 in rent from the landlord.

**Cause / Effect** – While activity was recorded during the year some of the balances were not fully reconciled and reviewed. Other accounts needed significant adjustment in order to be properly presented. The effect was to not have a complete and accurate general ledger to present for audit.

**Recommendation** – The Academy should ensure that all activity is fully accounted for and reconciled to contracts and agreements.

**Auditee Response** – The auditee agrees with the finding. The Academy has implemented procedures in order to ensure that all activity is accurately recorded and reconciled.

## HAMILTON ACADEMY

### SCHEDULE OF FINDINGS AND RESPONSES - Continued FOR THE YEAR ENDED JUNE 30, 2017

**Reference  
Number**

**Findings**

---

2017-002

**Finding Type** – Noncompliance

**Criteria** – The Michigan Public School Accounting Manual, Section IV, indicates that, when used appropriately, a budget provides the school board and administration with the ability to control and evaluate the use of the Academy's funds.

**Condition** – Actual results of operations came in \$11,852 less than anticipated in the final budget due to differences in both revenues and expenditures.

**Cause / Effect** – The budget while amended during the year, did not accurately reflect final revenues which negatively affected anticipated results of operations. The effect was a violation of state law.

**Recommendation** – The Academy should fully review actual and anticipated revenues and expenditures and in response amend the budget accordingly in order to comply with state law.

**Auditee Response** – The auditee agrees with the finding. The Academy has reviewed and revised its accounting procedures to ensure actual results are properly and timely reviewed resulting in budget amendments throughout the year.

**Hamilton Academy  
Corrective Action Plan  
For the Financial Statements**

<i>Findings and Recommendations</i>	<i>Corrective Action Plan</i>	<i>Responsible Department</i>	<i>Responsible Person</i>	<i>Planned Completion Date (TBD or Date)</i>
<p><b>2017 – 001: Reconciliations</b></p> <p><b>Finding Type: Material weakness</b></p> <p><b><u>Condition:</u></b></p> <p>The Academy’s general ledger was not fully reconciled at the time of the audit, resulting in several adjustments needed to bring balances in line. Additionally, once reconciled, it was noted that the Academy was overcharged approximately \$20,760 in rent from the landlord.</p> <p><b><u>Recommendation:</u></b></p> <p>The Academy should ensure that all activity is fully accounted for and reconciled to contracts and agreements..</p>	<p>The business office will implement additional policies and procedures for monthly and year end closings. This will include a time schedule to:</p> <ol style="list-style-type: none"> <li>1. The Academy now receives statements from DPSCD detailing how they determined the rent deduction.</li> <li>2. Coordinate with the various departments to develop a schedule for providing information regarding payroll, grant expenditure, and other items that would affect the monthly and yearly financial statements</li> <li>3. Communicate new guidelines to all applicable departments</li> <li>4. Ensure that all reconciliations of accounts are completed prior to submitting the trial balance to external auditors</li> </ol>	<p>Business department which includes the bookkeeping, payroll, grants management, and purchasing functions</p>	<p>All applicable Hamilton Academy team and subcontractors that fill these rolls. Business office responsible party to take the lead in initiating and implementing.</p>	<p>December 15, 2017</p>

**Hamilton Academy  
Corrective Action Plan  
For the Financial Statements**

<i><b>Findings and Recommendations</b></i>	<i><b>Corrective Action Plan</b></i>	<i><b>Responsible Department</b></i>	<i><b>Responsible Person</b></i>	<i><b>Planned Completion Date (TBD or Date)</b></i>
<p><b>2017 – 002: Budgeting</b></p> <p><b>Finding Type: Noncompliance</b></p> <p><b><u>Condition:</u></b></p> <p>Actual results of operations came in \$11,852 less than anticipated in the final budget due to differences in both revenues and expenditures.</p> <p><b><u>Recommendation:</u></b></p> <p>The Academy should fully review actual and anticipated revenues and expenditures and in response amend the budget accordingly in order to comply with state law.</p>	<p>The business office will implement additional policies and procedures for budgeting. This will include a time schedule to:</p> <ol style="list-style-type: none"> <li>1. Review actual expenditures and compare against board appropriations.</li> <li>2. Communicate new guidelines to all applicable departments</li> <li>3. Ensure that final adopted budgets are compares against actual and expected expenditures to fully comply with the Uniform Budgeting and Accounting Act</li> </ol>	<p>Business department which includes the bookkeeping, payroll, grants management, and purchasing functions</p>	<p>All applicable Hamilton Academy team and subcontractors that fill these rolls. Business office responsible party to take the lead in initiating and implementing.</p>	<p>December 15, 2017</p>



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, 2017

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, 2017.

Very truly yours,  
Croskey Lanni, PC

Patrick M. Sweeney, C.P.A.

October 25, 2017

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, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and if applicable, *Government Auditing Standards*), 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 polices 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 2017. 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:

Management's estimate of depreciation is based on management's best judgement 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 Academy'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, 2017.

#### *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 management's discussion and analysis, and the Budgetary Comparison Schedule, 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