

MID-MICHIGAN LEADERSHIP ACADEMY

**REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)**

YEAR ENDED JUNE 30, 2017

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Mid-Michigan Leadership Academy

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mid-Michigan Leadership Academy, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Mid-Michigan Leadership 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 judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Mid-Michigan Leadership 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 other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2017 on our consideration of Mid-Michigan Leadership Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Mid-Michigan Leadership 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 Mid-Michigan Leadership Academy's internal control over financial reporting and compliance.

Manes Costeiran PC

September 26, 2017

MANAGEMENT’S DISCUSSION AND ANALYSIS

This section of Mid-Michigan Leadership Academy’s (Academy) annual financial report presents our discussion and analysis of the public school Academy’s financial performance during the fiscal year that ended on June 30, 2017. Please read it in conjunction with the Academy’s financial statements, which immediately follow this section.

Financial Highlights

- The Academy continued their management contract with Cincinnati Education Management, LLC in 2016-17.
- The Academy’s general fund balance at the beginning of the year was \$636,475 and increased by \$46,723 to \$683,198 at the end of the 2016-2017 year.
- The Academy retired \$45,862 in long-term debt during the year.
- The Academy and the Academy’s Charter School Authorizer, Central Michigan University, have a signed Charter Agreement through June 2019 - contingent on academic performance.

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 Academy:

- The first two statements are academy-wide *financial statements* that provide both short-term and long-term information about the Academy’s overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the Academy, reporting the Academy’s operations in more detail than the academy-wide statements.
- The *governmental funds* statements tell how basic services like regular and special education were financed in the short-term as well as what remains for future spending.



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 Academy’s budget for the year. Figure A-1 shows how the various parts of the annual report are arranged and related to one another.

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

Figure A-2 Major Features of the Academy-wide and Fund Financial Statements

	Academy-wide statements	Governmental funds
Scope	Entire Academy (except fiduciary funds)	All activities of the Academy that are not fiduciary
Required financial statements	* Statement of net position * Statement of activities	* Balance sheet * Statement of revenues, expenditures and changes in fund balances
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial 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
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

Academy-wide statements

The Academy-wide statements report information about the Academy as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the Academy’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 Academy-wide statements report the Academy’s net position and how they have changed. Net position - the difference between the Academy’s assets and liabilities, are one way to measure the Academy’s financial health or position.

- Over time, increases or decreases in the Academy’s net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the Academy, you need to consider additional non-financial factors such as changes in the Academy’s enrollment, the condition of school buildings and other facilities, and the Academy’s ability to be competitive with other public school academies and area school districts.

Governmental activities - The Academy’s basic services are included here, such as regular and special education and administration. State foundation aid finances most of these activities.

Fund financial statements

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

- Some funds are required by State law and by debt agreements.
- The Academy establishes other funds to control and manage money for particular purposes (like its food service program).

All of the Academy'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 Academy's programs. Because this information does not encompass the additional long-term focus of the Academy-wide statements, we provide additional information with the governmental funds statement that explains the relationship (or differences) between them.

Financial analysis of the Academy as a whole

Net position - the Academy's combined net position of \$1,540,829 increased by \$65,174 during the year. See Figures A-3 and A-4.

The total revenues increased by 13.7% to \$3,606,972 primarily due to the 12% enrollment increase during the year and increases to state aid revenue.

The total cost of instruction increased by 24.6%, or \$283,165 to \$1,435,780 due to the increase in enrollment at the academy during the year. Total support service increased by 9.5%, or \$151,823 to \$1,748,852. Support service increases are also attributable to the enrollment increase.

**Figure A-3
Mid-Michigan Leadership Academy's Net Position**

	2017	2016
Current and other assets	\$ 1,028,044	\$ 962,731
Capital assets	839,692	882,431
Total assets	<u>1,867,736</u>	<u>1,845,162</u>
Other liabilities	326,907	323,645
Long-term liabilities	-	45,862
Total liabilities	<u>326,907</u>	<u>369,507</u>
Net position:		
Net investment in capital assets	839,692	836,569
Restricted for special revenue (food service)	17,939	2,611
Unrestricted	683,198	636,475
Total net position	<u>\$ 1,540,829</u>	<u>\$ 1,475,655</u>

**Figure A-4
Changes in Mid-Michigan Leadership Academy's Net Position**

	2017	2016
Revenues:		
Program revenues:		
Federal and state categorical grants	\$ 879,341	\$ 713,804
Charges for services	-	69
General revenues:		
State aid - unrestricted	2,499,344	2,243,144
Incoming transfer from Ingham ISD	213,927	182,755
Other	14,360	32,680
Total revenues	<u>3,606,972</u>	<u>3,172,452</u>
Expenses:		
Instruction	1,435,780	1,152,615
Support services	1,748,852	1,597,029
Community service	1,978	1,246
Food service	281,927	245,866
Interest on long-term debt	827	5,769
Unallocated depreciation	72,434	67,009
Total expenses	<u>3,541,798</u>	<u>3,069,534</u>
Change in net position	<u>\$ 65,174</u>	<u>\$ 102,918</u>

Financial analysis of the Academy's funds

The Academy's fund balance in the general fund increased by \$46,723 to \$683,198. The fund balance as a percentage of 2017 total general fund expenditures is approximately 20.9%.

General fund budgetary highlights

Over the course of the year, the Academy revised the general fund annual operating budget when necessary. Changes were made in both revenue and expenditures which reflected anticipated changes in state aid grants and actual salary costs for staff.

The Academy's final budget for the general fund anticipated revenues and other financing sources would exceed expenditures by \$10,594 the actual results for the year showed revenues and other financing sources over expenditures of \$46,723.

Actual revenues were \$115,194 less than budgeted, primarily due to unspent federal grants.

Actual expenditures were \$146,608 less than budgeted, primarily due to unspent federal and state grants.

Capital asset and debt administration

Capital assets

By the end of the year ended June 30, 2017, the Academy had invested \$839,692 in capital assets net of accumulated depreciation as summarized in Figure A-5. This amount represents a decrease of \$42,739 from the beginning of the year. Total depreciation expense for the year was \$72,434. More detailed information about capital assets can be found in Note 3 to the financial statements.

The Academy's capital assets are as follows:

	2017			2016
	Cost	Accumulated depreciation	Net book value	Net book value
Land	\$ 211,000	\$ -	\$ 211,000	\$ 211,000
Building and improvements	776,212	326,254	449,958	488,769
Technology and equipment	219,016	152,836	66,180	56,662
Furniture and fixtures	275,428	162,874	112,554	126,000
Total	<u>\$ 1,481,656</u>	<u>\$ 641,964</u>	<u>\$ 839,692</u>	<u>\$ 882,431</u>

Long-term debt

The Academy repaid principal on long-term debt of \$45,862 during 2017. See Note 6 for more information.

Factors bearing on the Academy's future

At the time these financial statements were prepared and audited, the Academy was aware of existing circumstances that could significantly affect its financial health in the future.

- The Academy has adopted a general fund budget for the 2017-2018 year in which revenues exceed expenditures by approximately \$20,040.
- Enrollment for 2017-18 has come in slightly below the budgeted level at the start of the school year.

Contacting the Academy's financial management

This financial report is designed to provide our students, parents and creditors with a general overview of the Academy's finances and to demonstrate the Academy's accountability for the money it receives. If you have questions about this report or need additional information, contact the Academy at 730 W. Maple, Lansing, Michigan, 48906, phone (517) 485-5379.

BASIC FINANCIAL STATEMENTS

**MID-MICHIGAN LEADERSHIP ACADEMY
STATEMENT OF NET POSITION
JUNE 30, 2017**

	<u>Governmental activities</u>
ASSETS:	
Cash and cash equivalents	\$ 345,603
Intergovernmental receivable	669,921
Inventory	12,520
Capital assets not being depreciated	211,000
Capital assets, net of accumulated depreciation	<u>628,692</u>
TOTAL ASSETS	<u>1,867,736</u>
LIABILITIES:	
Accounts payable	111,657
Accrued personnel costs and related items	175,088
Unearned revenues	<u>40,162</u>
TOTAL LIABILITIES	<u>326,907</u>
NET POSITION:	
Net investment in capital assets	839,692
Restricted for special revenue (food service)	17,939
Unrestricted	<u>683,198</u>
TOTAL NET POSITION	<u><u>\$ 1,540,829</u></u>

**MID-MICHIGAN LEADERSHIP ACADEMY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017**

<u>Functions/programs</u>	<u>Expenses</u>	<u>Program revenues</u>		<u>Governmental activities</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Net (expense)</u>
		<u>services</u>	<u>grants</u>	<u>revenue and</u>
				<u>changes in</u>
				<u>net position</u>
Governmental activities:				
Instruction	\$ 1,435,780	\$ -	\$ 489,454	\$ (946,326)
Support services	1,748,852	-	83,482	(1,665,370)
Community service	1,978	-	-	(1,978)
Food service	281,927	-	306,405	24,478
Interest and fees	827	-	-	(827)
Depreciation (unallocated)	72,434	-	-	(72,434)
Total governmental activities	<u>\$ 3,541,798</u>	<u>\$ -</u>	<u>\$ 879,341</u>	<u>(2,662,457)</u>
General revenues:				
State sources - unrestricted				2,499,344
Incoming transfer from Ingham ISD				213,927
Other				<u>14,360</u>
Total general revenues				<u>2,727,631</u>
CHANGE IN NET POSITION				65,174
NET POSITION, beginning of year				<u>1,475,655</u>
NET POSITION, end of year				<u>\$ 1,540,829</u>

**MID-MICHIGAN LEADERSHIP ACADEMY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017**

	General fund	Nonmajor (special revenue) fund	Total governmental funds
ASSETS			
ASSETS:			
Cash and cash equivalents	\$ 345,603	\$ -	\$ 345,603
Receivables:			
Intergovernmental	651,072	18,849	669,921
Inventory	12,520	-	12,520
TOTAL ASSETS	\$ 1,009,195	\$ 18,849	\$ 1,028,044
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	\$ 111,657	\$ -	\$ 111,657
Accrued personnel costs and related items	174,178	910	175,088
Unearned revenue	40,162	-	40,162
TOTAL LIABILITIES	325,997	910	326,907
FUND BALANCES:			
Nonspendable:			
Inventories	12,520	-	12,520
Restricted for food service	-	17,939	17,939
Committed for combined sewer overflow project	44,148	-	44,148
Unassigned	626,530	-	626,530
TOTAL FUND BALANCES	683,198	17,939	701,137
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,009,195	\$ 18,849	\$ 1,028,044
Total governmental fund balances			\$ 701,137
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and are not reported in the funds:			
The cost of the capital assets is		\$ 1,481,656	
Accumulated depreciation is		(641,964)	839,692
Net position of governmental activities			\$ 1,540,829

MID-MICHIGAN LEADERSHIP ACADEMY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2017

	<u>General fund</u>	<u>Nonmajor (special revenue) fund</u>	<u>Total governmental funds</u>
REVENUES:			
Local sources:			
Other local revenue	\$ 14,360	\$ -	\$ 14,360
State sources	2,803,250	3,815	2,807,065
Federal sources	269,030	302,590	571,620
Incoming transfers	213,927	-	213,927
Total revenues	<u>3,300,567</u>	<u>306,405</u>	<u>3,606,972</u>
EXPENDITURES:			
Current:			
Instruction:			
Basic programs	972,757	-	972,757
Added needs	467,017	-	467,017
Total instruction	<u>1,439,774</u>	<u>-</u>	<u>1,439,774</u>
Support services:			
Pupil	287,215	-	287,215
Instructional staff	120,406	-	120,406
General administration	497,208	-	497,208
School administration	119,890	-	119,890
Business services	124,345	-	124,345
Operation and maintenance	278,436	-	278,436
Pupil transportation	162,196	-	162,196
Central support services	171,340	-	171,340
Other	606	-	606
Total support services	<u>1,761,642</u>	<u>-</u>	<u>1,761,642</u>
Community service	<u>1,978</u>	<u>-</u>	<u>1,978</u>
Food service	<u>-</u>	<u>280,545</u>	<u>280,545</u>
Capital outlay	<u>12,911</u>	<u>1,382</u>	<u>14,293</u>

MID-MICHIGAN LEADERSHIP ACADEMY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2017

	General fund	Nonmajor (special revenue) fund	Total governmental funds
EXPENDITURES (Concluded):			
Debt service:			
Principal repayment	\$ 45,862	\$ -	\$ 45,862
Interest	827	-	827
Total debt service	46,689	-	46,689
Total expenditures	3,262,994	281,927	3,544,921
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	37,573	24,478	62,051
OTHER FINANCING SOURCES (USES):			
Transfers in	9,150	-	9,150
Transfers out	-	(9,150)	(9,150)
Total other financing sources (uses)	9,150	(9,150)	-
NET CHANGE IN FUND BALANCES	46,723	15,328	62,051
FUND BALANCES:			
Beginning of year	636,475	2,611	639,086
End of year	\$ 683,198	\$ 17,939	\$ 701,137

**MID-MICHIGAN LEADERSHIP ACADEMY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017**

Net change in fund balances total governmental funds	\$ 62,051
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. In the statement of activities these costs are allocated over their estimated useful lives as depreciation:	
Depreciation expense	(72,434)
Capital outlay	29,695
Proceeds and repayments of principal on long-term debts are other financing sources and expenditures in the governmental funds, but not in the statement of activities (where they are additions and reductions of liabilities):	
Principal repayment	45,862
Change in net position of governmental activities	\$ 65,174

**MID-MICHIGAN LEADERSHIP ACADEMY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of 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 nonfiduciary activities of the Academy. The Academy currently does not have fiduciary activities. *Governmental activities* normally are supported by intergovernmental revenues.

B. Reporting Entity

The Mid-Michigan Leadership Academy (the “Academy”) is a public school academy as part of the Michigan Public School System under Public Act No. 362 of 1993. Central Michigan University is the authorizing governing body for the Academy and has contracted with the Academy to charter the public school through June 2019. Board members are approved by the authorizing governing body and have decision making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. The Academy receives funding from local, state, and federal sources and must comply with all of the requirements of these funding source entities. However, the Academy is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. In addition, the Academy’s reporting entity does not contain any component units as defined in Governmental Accounting Standards Board (GASB) Statements.

C. Basis of Presentation - Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

D. Basis of Presentation - Fund Financial Statements

The fund financial statements provide information about the Academy’s funds. Separate statements for each fund category are presented. The emphasis of fund financial statements is on major governmental funds. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

**MID-MICHIGAN LEADERSHIP ACADEMY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Presentation - Fund Financial Statements (Concluded)

The Academy reports the following major governmental fund:

The *general fund* is the Academy's primary operating fund. It accounts for all financial resources of the Academy, except those required to be accounted for in another fund.

The Academy reports the following nonmajor governmental fund:

The *special revenue fund* accounts for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The Academy accounts for its food service activity in the special revenue fund.

During the course of operations the Academy has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**MID-MICHIGAN LEADERSHIP ACADEMY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Measurement Focus and Basis of Accounting (Concluded)

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. 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 generally collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

State and federal aid, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amounts are received during the period or within the availability period for this revenue source (within 60 days of year-end).

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to public school academies based on information supplied by the academies. For the current year ended, the foundation allowance was based on pupil membership counts.

The state portion of the Foundation is provided primarily by a state education property tax millage of 6 mills on Principal Residence Exemption (PRE) property and an allocated portion of state sales and other taxes. The state revenue is recognized during the foundation period and is funded through payments from October to August. Thus, the unpaid portion at June 30 is reported as an intergovernmental receivable.

The Academy also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received and accrued, which are not expended by the close of the fiscal year are recorded as unearned revenue.

All other revenue items are generally considered to be measurable and available only when cash is received by the Academy.

**MID-MICHIGAN LEADERSHIP ACADEMY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Budgetary Information

Budgetary basis of accounting:

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and special revenue fund.

The Academy follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the Board of Directors a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Prior to July 1, the budget is legally adopted by Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, in the general fund are noted in the required supplementary information section.
3. Transfers may be made for budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the Board of Directors.
4. The budget was amended during the year with supplemental appropriations, the last one approved prior to year end June 30, 2017. The Academy does not consider these amendments to be significant.

G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash and cash equivalents

The Academy's cash and cash equivalents are considered to be cash on hand and demand deposit accounts.

**MID-MICHIGAN LEADERSHIP ACADEMY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

2. Investments

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. 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.

State statutes authorize the Academy to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, 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 Insurance 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. District or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

3. Inventories and prepaid items

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

4. Capital assets

Capital assets, as summarized below, are reported in the government-wide financial statements. Capital assets are defined by the Academy as assets with an initial, individual cost of more than \$1,000 and a useful life in excess of one year. Group purchases are evaluated on a case by case basis. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

**MID-MICHIGAN LEADERSHIP ACADEMY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

4. Capital assets (Concluded)

Land and construction in progress, if any, are not depreciated. Capital assets of the Academy are depreciated using the straight line method over the following estimated useful lives:

Capital asset classes	Lives
Buildings and improvements	20
Technology and equipment	5 - 20
Furniture and fixtures	5 - 20

5. Deferred outflows/inflows of resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The Academy has no items that qualify for reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Academy has no items that qualify for reporting in this category.

6. Net position flow assumption

Sometimes the Academy will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Academy's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

**MID-MICHIGAN LEADERSHIP ACADEMY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Concluded)

7. Fund balance flow assumptions

Sometimes the Academy will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the Academy's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

8. Fund balance policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The Academy itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Academy's highest level of decision-making authority. The board of directors is the highest level of decision-making authority for the Academy that can, by adoption of a board action prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the board action remains in place until a similar action is taken (the adoption of another board action) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the Academy for specific purposes but do not meet the criteria to be classified as committed. Intent can be expressed by the board of directors or by an official or body to which the board of directors delegates authority. The board of directors may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

**MID-MICHIGAN LEADERSHIP ACADEMY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

H. Revenues and Expenditures/Expenses

1. Program revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or segment. Unrestricted state aid, interest, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method which approximates the effective interest method over the term of the related debt. Bond issuance costs are reported as expenditures in the year in which they are incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

NOTE 2 - CASH DEPOSITS - CREDIT RISK

Cash is held in the name of the Academy. These deposits are subject to custodial credit risk. This is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. The Academy minimizes custodial credit risk on deposits by assessing the credit worthiness of the individual institutions in which it deposits funds. The amount of deposits with each institution is assessed to determine the level of risk it may pose to the Academy in relation to deposits in excess of insured amounts. As of June 30, 2017, \$157,331 of the Academy's bank balance of \$407,331 was exposed to custodial credit risk because it was not fully covered by federal depository insurance. These deposits have a carrying value of \$345,603.

**MID-MICHIGAN LEADERSHIP ACADEMY
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - CASH DEPOSITS - CREDIT RISK (Concluded)

Fair value measurement. The District is required to disclose amounts within a framework established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1: Quoted prices in active markets for identical securities.

Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include prices for similar securities, interest rates, prepayment speeds, credit risk and others.

Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used. Unobservable inputs reflect the Academy's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

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

**MID-MICHIGAN LEADERSHIP ACADEMY
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - CAPITAL ASSETS

A summary of changes in the Academy's capital assets follows:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Capital assets not being depreciated - land	\$ 211,000	\$ -	\$ -	\$ 211,000
Capital assets, being depreciated:				
Buildings and improvements	776,212	-	-	776,212
Technology and equipment	189,321	29,695	-	219,016
Furniture and fixtures	275,428	-	-	275,428
Depreciable capital assets	<u>1,240,961</u>	<u>29,695</u>	<u>-</u>	<u>1,270,656</u>
Accumulated depreciation:				
Buildings and improvements	287,443	38,811	-	326,254
Technology and equipment	132,659	20,177	-	152,836
Furniture and fixtures	149,428	13,446	-	162,874
Total accumulated depreciation	<u>569,530</u>	<u>72,434</u>	<u>-</u>	<u>641,964</u>
Net assets being depreciated	<u>671,431</u>	<u>(42,739)</u>	<u>-</u>	<u>628,692</u>
Net capital assets	<u>\$ 882,431</u>	<u>\$ (42,739)</u>	<u>\$ -</u>	<u>\$ 839,692</u>

Depreciation for the fiscal year ended June 30, 2017 amounted to \$72,434. The Academy determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

NOTE 4 - INTERGOVERNMENTAL RECEIVABLES

Receivables due from intergovernmental receivable at June 30, 2017 consist of the following:

State aid	\$ 499,158
Federal and state grants	163,527
Payments from ISD	<u>7,236</u>
	<u>\$ 669,921</u>

Receivables due from intergovernmental receivable include amounts due from federal, state and local sources for various projects and programs.

**MID-MICHIGAN LEADERSHIP ACADEMY
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - NOTES PAYABLE

As of June 30, 2017, the Academy has \$0 outstanding from a state aid anticipation note dated in August 2015. The note, which has an interest rate of 4.25%, matured August 2016. The note is secured by future state school aid payments.

Balance June 30, 2016	Additions	Payments	Balance June 30, 2017
\$ 12,709	\$ -	\$ 12,709	\$ -

NOTE 6 - LONG-TERM DEBT

The following is a summary of long-term obligation transactions of the Academy for the year ended June 30, 2017.

Long-term debt, July 1, 2016	\$ 45,862
Deductions:	
Principal payments on bonds payable	(45,862)
Balance, June 30, 2017	\$ -

NOTE 7 - TRANSFERS

Transfers between the governmental funds were as follows:

Transfers out		Transfers in	
Special revenue fund	\$ 9,150	General fund	\$ 9,150

The transfers to the general fund from the special revenue fund were to reimburse the general fund for costs incurred.

**MID-MICHIGAN LEADERSHIP ACADEMY
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - OVERSIGHT FEES

The Academy pays an administrative oversight fee of 3% of its state school aid to Central Michigan University, as set forth by contract, to reimburse the University Board for the cost of execution of its oversight responsibilities. These oversight responsibilities include the monitoring of the Academy's compliance with the terms and conditions of the contract, and the review of its audited financial statements and periodic reports. During the year ended June 30, 2017, the Academy incurred expense of approximately \$74,000 for oversight fees.

NOTE 9 - LEASED EMPLOYEES

The Academy leases all of its employees from a professional employment organization, Michigan Education Personnel (MEP). Salaries, retirement, social security, health insurance, and unemployment taxes are the responsibility of the PEO. Salaried employees are generally eligible to make retirement contributions after one year of service. The plan does not cover hourly employees or employees covered by another retirement plan. The Academy matches 20% of the first 6% of employee contribution resulting in contributions of approximately \$300 in 2017.

NOTE 10 - MANAGEMENT AGREEMENT

The Academy currently has a management agreement with Cincinnati Education Management LLC (CEM) for operations of the Academy through June 2019. Under the terms of the management agreement, CEM's compensation for operating the Academy was 14% of its state school aid or \$349,069 for the fiscal year 2017.

**MID-MICHIGAN LEADERSHIP ACADEMY
NOTES TO FINANCIAL STATEMENTS**

NOTE 11 - RISK MANAGEMENT

The Academy is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. To minimize the risk, the Academy carries commercial insurance.

NOTE 12 - CONTINGENCY

In August 2015, Michigan's Superintendent of Public Instruction notified Mid-Michigan Leadership Academy that it was listed as a Priority School for the third consecutive year. Due to continued identification as a Priority School, the Academy was in material breach of its charter contract with Central Michigan University (CMU). In September 2014, the Academy entered into a contract amendment with CMU which required the Academy to demonstrate improvement by meeting certain expectations and performance targets through the 2016 - 2017 school year. Failure to meet expectations and performance targets according to the timelines established in the amendment could result in revocation or termination of the charter contract.

As of the report date, management has attained the academic improvement goals established in the charter contract, as amended, and the Academy is no longer designated as a Priority School. Further, the Academy does not believe the previous designation will have a significant impact on their charter contract which expires June 30, 2019.

REQUIRED SUPPLEMENTARY INFORMATION

**MID-MICHIGAN LEADERSHIP ACADEMY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2017**

	Original budget	Final budget	Actual	Variance with final budget
REVENUES:				
Local sources	\$ 15,768	\$ 15,526	\$ 14,360	\$ (1,166)
State sources	2,684,322	2,826,182	2,803,250	(22,932)
Federal sources	301,979	373,956	269,030	(104,926)
Incoming transfers	175,219	200,097	213,927	13,830
Total revenues	<u>3,177,288</u>	<u>3,415,761</u>	<u>3,300,567</u>	<u>(115,194)</u>
EXPENDITURES:				
Instruction:				
Basic programs	917,860	1,040,996	972,757	68,239
Added needs	486,028	492,530	467,017	25,513
Total instruction	<u>1,403,888</u>	<u>1,533,526</u>	<u>1,439,774</u>	<u>93,752</u>
Support services:				
Pupil	254,812	284,170	287,215	(3,045)
Instructional staff	160,630	143,258	120,406	22,852
General administration	479,108	503,113	497,208	5,905
School administration	111,562	124,213	119,890	4,323
Business services	121,139	123,684	124,345	(661)
Operation and maintenance	292,706	288,597	278,436	10,161
Pupil transportation	139,900	171,900	162,196	9,704
Central support services	154,861	174,806	171,340	3,466
Other	1,254	606	606	-
Total support services	<u>1,715,972</u>	<u>1,814,347</u>	<u>1,761,642</u>	<u>52,705</u>
Community service activities	750	2,129	1,978	151
Capital outlay	21,000	12,911	12,911	-
Debt service:				
Principal	44,607	45,862	45,862	-
Interest	827	827	827	-
Total debt service	<u>45,434</u>	<u>46,689</u>	<u>46,689</u>	<u>-</u>
Total expenditures	<u>3,187,044</u>	<u>3,409,602</u>	<u>3,262,994</u>	<u>146,608</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(9,756)	6,159	37,573	31,414
OTHER FINANCING SOURCES:				
Transfers in	7,600	4,435	9,150	4,715
NET CHANGE IN FUND BALANCE	<u>\$ (2,156)</u>	<u>\$ 10,594</u>	46,723	<u>\$ 36,129</u>
FUND BALANCE:				
Beginning of year			<u>636,475</u>	
End of year			<u>\$ 683,198</u>	

**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
Mid-Michigan Leadership Academy

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mid-Michigan Leadership Academy as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Mid-Michigan Leadership Academy's basic financial statements and have issued our report thereon dated September 26, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Mid-Michigan Leadership 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 Mid-Michigan Leadership Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Mid-Michigan Leadership 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 Mid-Michigan Leadership 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.

Maney Costeiran PC

September 26, 2017

September 26, 2017

To the Board of Directors
Mid-Michigan Leadership Academy

We have audited the financial statements of Mid-Michigan Leadership Academy for the year ended June 30, 2017, and have issued our report thereon dated September 26, 2017. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Auditing Standards Generally Accepted in the United States of America and Government Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of Mid-Michigan Leadership Academy. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed test of Mid-Michigan Leadership Academy's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you.

Significant Audit Findings

1. Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Mid-Michigan Leadership 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 the Academy during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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.

We did not identify any sensitive estimates.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

We did not identify any sensitive disclosures.

2. Difficulties Encountered in Performing the Audit

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

3. Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are 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 the financial statements taken as a whole.

4. Disagreements with Management

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

5. *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated September 26, 2017.

6. *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 the Mid-Michigan Leadership 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.

7. *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Mid-Michigan Leadership 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.

8. *Other Matters*

We applied certain limited procedures to the required supplementary information (RSI) which are required and supplement 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 other supplementary information, which accompany the financial statements but are not RSI. With respect to this other 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 other supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

A separate management letter was not issued.

This information is intended solely for the use of the Board of Education and management of Mid-Michigan Leadership Academy and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Maney Costeiran PC