

**LEELANAU MONTESSORI PUBLIC
SCHOOL ACADEMY**

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

YEAR ENDED JUNE 30, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Leelanau Montessori Public School 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 Leelanau Montessori Public School Academy, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Leelanau Montessori Public School 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 Leelanau Montessori Public School Academy, as of June 30, 2018, 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 other required supplementary 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 18, 2018, on our consideration of Leelanau Montessori Public School 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 Leelanau Montessori Public School Academy's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering Leelanau Montessori Public School Academy's internal control over financial reporting and compliance.

Maney Costeiran PC

September 18, 2018

MANAGEMENT’S DISCUSSION AND ANALYSIS

This section of Leelanau Montessori Public School 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, 2018. Please read it in conjunction with the Academy’s financial statements, which immediately follow this section.

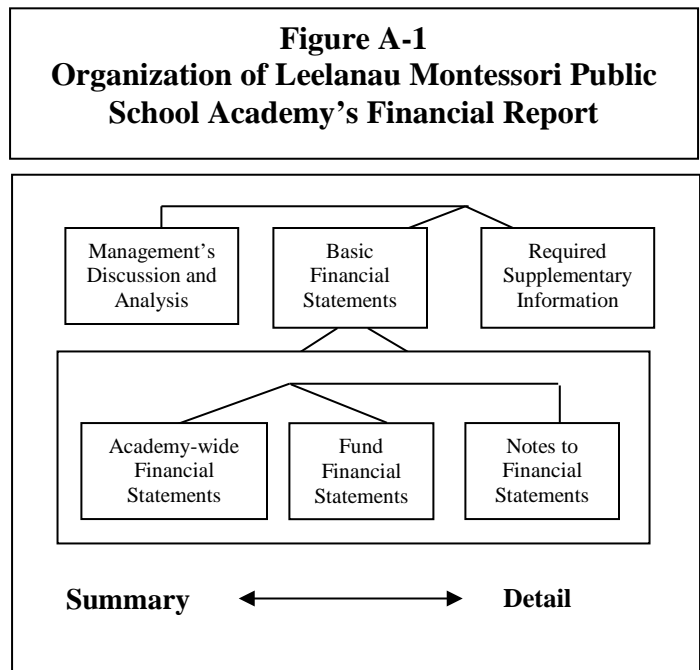
Financial highlights

- The Academy had a decrease in the fund balance in the general fund of \$21,504, compared to a budgeted decrease of \$35,769. This gives the Academy a general fund balance of \$69,571.

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.
- Fiduciary fund statements provide information about the financial relationships in which the Academy acts solely as a trustee or agent for the benefit of others.



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	Fiduciary funds
Scope	Entire academy (except fiduciary funds)	All activities of the academy that are not fiduciary	Instances in which the Academy administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	* Statement of net position * Statement of activities	* Balance sheet * Statement of revenues, expenditures and changes in fund balances	* Statement of fiduciary assets and liabilities
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term, the Academy's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

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, is one way to measure the Academy’s financial health or position.

- Over time, increases or decreases in the Academy’s net position is 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.

- Some funds are required by State law and by debt agreements.
- The Academy could establish other funds to control and manage money for particular purposes (like school lunch).

The Academy has two kinds of funds:

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.

Fiduciary funds - the Academy is the trustee, or fiduciary, for assets that belong to others, such as student activity funds. The Academy is responsible for ensuring that the assets reported in these funds are used for the intended purposes and by those to whom the assets belong. We exclude these activities from the Academy-wide financial statements because the Academy cannot use these assets to finance its operations.

Financial analysis of the Academy as a whole

Net position - the Academy's combined net position of \$310,489 increased by \$187,761 during the year. See Figures A-3 and A-4.

The total revenues amounted to \$1,073,483. The state aid foundation allowance included in revenue from state sources accounts for approximately 60% of the Academy's revenue.

The total cost of instruction amounted to \$484,537. Total support service amounted to \$395,479. Total community service amounted to \$4,349. Other expenses amounted to \$1,357.

Academy governmental activities

Figure A-3		
Leelanau Montessori Public School Academy's Net Position		
	2018	2017
Current assets	\$ 450,798	\$ 208,090
Capital assets	880,607	41,591
Total assets	<u>1,331,405</u>	<u>249,681</u>
Other liabilities	209,383	117,015
Long-term liabilities	811,533	9,938
Total liabilities	<u>1,020,916</u>	<u>126,953</u>
Net position:		
Net investment in capital assets	80,887	41,591
Unrestricted	229,602	81,137
Total net position	<u>\$ 310,489</u>	<u>\$ 122,728</u>

Figure A-4		
Changes in Leelanau Montessori Public School Academy's Net Position		
	2018	2017
Revenues:		
Program revenues:		
Operating grants	\$ 89,014	\$ 87,714
Charges for services	84,852	74,866
Capital contributions	222,500	-
Total program revenues	<u>396,366</u>	<u>162,580</u>
General revenues:		
Investment earnings	-	24
State aid - unrestricted	644,354	707,727
Intermediate sources	7,140	5,722
Other	25,623	17,871
Total revenues	<u>1,073,483</u>	<u>893,924</u>
Expenses:		
Instruction	484,537	496,027
Support services	395,479	360,105
Community services	4,349	-
Unallocated depreciation	1,357	-
Total expenses	<u>885,722</u>	<u>856,132</u>
Change in net position	<u>\$ 187,761</u>	<u>\$ 37,792</u>

Financial analysis of the Academy’s funds

The Academy’s general fund balance decreased by \$21,504. Instruction expenditures amounted to \$483,487 and support service expenditures amounted to \$360,873. Instruction expenditures stayed consistent and support service expenditures increased from costs associated with the purchase of the new building.

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 increases in state aid and actual salary figures for staff.

The Academy’s final budget for the general fund anticipated expenditures would exceed revenues by \$35,769. The actual results for the year showed expenditures over revenues of \$21,504.

Actual revenues were \$51,117 less than budgeted, due primarily to unspent grants.

Actual expenditures were \$58,160 less than budgeted, due primarily to the unspent grants and savings in instruction.

By the end of the year ended June 30, 2018, the Academy had invested \$880,607 in capital assets net of accumulated depreciation as summarized in Figure A-5. This amount represents an increase of \$839,016 from the beginning of the year. Total depreciation expense for the year was \$11,360. More detailed information about capital assets can be found in Note 4 of the financial statements.

The Academy’s capital assets are as follows:

Figure A-5				
Leelanau Montessori Public School Academy's Capital Assets				
	2018			2017
	Cost	Accumulated depreciation	Net book value	Net book value
Land	\$ 84,828	\$ -	\$ 84,828	\$ -
Construction in progress	2,100	-	2,100	-
Building and additions	763,448	1,357	762,091	-
Furniture and Equipment	85,273	53,685	31,588	41,591
Total	\$ 935,649	\$ 55,042	\$ 880,607	\$ 41,591

Long-term debt

As of June 30, 2018, the Academy has obligations for compensated absences of \$11,813 and \$799,720 of building loan. More detailed information about long term debt can be found in Note 6 to the financial statements.

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 per pupil state aid foundation for 2018-2019 is \$7,871. This amount is an increase of \$240 from the previous year. The Academy's fund balance will continue to be a major focus of the board/administration this year as raising our fund balance will allow us to ensure the necessary programming required for the Academy as it moves into a new building in 2019.
- There is a continued commitment to develop board and staff capacity that supports student achievement. The goal is to raise student achievement and further enhance the positive perception of the education the Academy provides area students. This will positively impact student retention and accessions at the Academy.
- The decision by Bay Mills Community College (new authorizer) to grant the Academy an eight-year charter starting July 1st, 2018 will positively impact the school. The ability to show families that we will be a viable school choice moving forward will attract new families and support current families, into the future as educational choices are being made by area families.
- The ability to retain qualified teachers will continue to be a focus moving forward. The difficulty in finding a teacher who possesses the appropriate state credentials, along with the Montessori training is challenging. The school has experienced decreasing staff transition as the Board/administration focus on this challenge.
- Over the past two years, the Academy has experienced a loss of approximately 30% in FTE students. The drop appears to be due to the instability we have experienced during the transition from the previous authorizer and BMCC and pending relocation of the Academy. Moving our school to a new area of Leelanau County will make marketing efforts more important as we complete this move in January of 2019.
- LMPSA is currently carrying an unfunded liability with the paid-time-off days (PTO) of approximately \$12,000. The school is continuing to investigate the best way to bring the liability to the school down from where it currently sits.
- The purchase of the Connie Binsfeld building will create our own, independent space for the school in the future. Securing long-term leases with the current tenants creates financial stability and allows the school to continue focusing on student growth.

The Board of Education and management have taken appropriate steps to control cost. Primary consideration was given to maintaining the educational integrity of the program.

Contacting the Academy's Financial Management

This financial report is designed to provide our citizens, customers, investors, 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: Leelanau Montessori Public School Academy, 310 Elm Street, Suttons Bay, MI 49682. We can be reached by phone at (231) 271-8609.

BASIC FINANCIAL STATEMENTS

**LEELANAU MONTESSORI PUBLIC SCHOOL ACADEMY
STATEMENT OF NET POSITION
JUNE 30, 2018**

	Governmental activities
ASSETS:	
Cash and cash equivalents	\$ 285,000
Intergovernmental receivables	165,398
Prepays	400
Capital assets, not being depreciated	86,928
Capital assets, net of accumulated depreciation	<u>793,679</u>
TOTAL ASSETS	<u>1,331,405</u>
 LIABILITIES:	
Accounts payable	8,319
Accrued expenditures	79,753
Unearned revenue	20,116
Note payable	101,195
Noncurrent liabilities:	
Due within one year	1,181
Due in more than one year	<u>810,352</u>
TOTAL LIABILITIES	<u>1,020,916</u>
 NET POSITION:	
Net investment in capital assets	80,887
Unrestricted	<u>229,602</u>
TOTAL NET POSITION	<u><u>\$ 310,489</u></u>

**LEELANAU MONTESSORI PUBLIC SCHOOL ACADEMY
STATEMENT OF ACTIVITIES
JUNE 30, 2018**

Functions/programs	Expenses	Program revenues			Governmental activities
		Charges for services	Operating grants	Capital contributions	Net (expense) revenue and changes in net position
Governmental activities:					
Instruction	\$ 484,537	\$ 78,936	\$ 69,355	\$ -	\$ (336,246)
Support services	395,479	-	19,659	222,500	(153,320)
Community services	4,349	5,916	-	-	1,567
Unallocated depreciation	1,357	-	-	-	(1,357)
Total governmental activities	<u>\$ 885,722</u>	<u>\$ 84,852</u>	<u>\$ 89,014</u>	<u>\$ 222,500</u>	<u>(489,356)</u>
General revenues:					
State sources - unrestricted					644,354
Intermediate sources					7,140
Other					<u>25,623</u>
Total general revenues					<u>677,117</u>
CHANGE IN NET POSITION					187,761
NET POSITION , beginning of year					<u>122,728</u>
NET POSITION , end of year					<u><u>\$ 310,489</u></u>

**LEELANAU MONTESSORI PUBLIC SCHOOL ACADEMY
BALANCE SHEET
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2018**

	General fund	Capital projects	Total governmental funds
ASSETS:			
Cash and cash equivalents	\$ 111,056	\$ 173,944	\$ 285,000
Intergovernmental receivables	165,398	-	165,398
Prepays	400	-	400
TOTAL ASSETS	\$ 276,854	\$ 173,944	\$ 450,798
LIABILITIES:			
Accounts payable	\$ 6,219	\$ 2,100	\$ 8,319
Accrued expenditures	79,753	-	79,753
Unearned revenue	20,116	-	20,116
Note payable	101,195	-	101,195
TOTAL LIABILITIES	207,283	2,100	209,383
FUND BALANCES:			
Nonspendable:			
Prepays	400	-	400
Assigned:			
Capital projects funds	-	171,844	171,844
Unassigned	69,171	-	69,171
TOTAL FUND BALANCES	69,571	171,844	241,415
TOTAL LIABILITIES AND FUND BALANCES	\$ 276,854	\$ 173,944	\$ 450,798
Total governmental fund balances			\$ 241,415
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		\$ 935,649	
Accumulated depreciation is		(55,042)	
			880,607
Long-term liabilities that are not due and payable in the current period and are not reported in the funds:			
Notes payable			(799,720)
Accumulated compensated absences			(11,813)
Net position of governmental activities			\$ 310,489

**LEELANAU MONTESSORI PUBLIC SCHOOL ACADEMY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2018**

	<u>General fund</u>	<u>Capital projects</u>	<u>Total governmental funds</u>
REVENUES:			
Local sources	\$ 110,475	\$ 222,500	\$ 332,975
State sources	695,831	-	695,831
Federal sources	37,537	-	37,537
Other	7,140	-	7,140
Total revenues	<u>850,983</u>	<u>222,500</u>	<u>1,073,483</u>
EXPENDITURES:			
Current:			
Instruction:			
Basic programs	421,963	-	421,963
Added needs	61,524	-	61,524
Total instruction	<u>483,487</u>	<u>-</u>	<u>483,487</u>
Support services:			
Pupil	925	-	925
Instructional staff	16,832	-	16,832
General administration	41,681	-	41,681
School administration	167,153	-	167,153
Business services	31,313	-	31,313
Operation and maintenance	76,124	-	76,124
Pupil transportation	4,995	-	4,995
Central services	21,850	-	21,850
Total support services	<u>360,873</u>	<u>-</u>	<u>360,873</u>
Community service	4,349	-	4,349
Capital outlay	-	850,376	850,376
Total expenditures	<u>848,709</u>	<u>850,376</u>	<u>1,699,085</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>2,274</u>	<u>(627,876)</u>	<u>(625,602)</u>
OTHER FINANCING SOURCES (USES):			
Proceeds from issuance of debt	-	799,720	799,720
Transfers out and other transactions	(23,778)	-	(23,778)
Total other financing sources (uses)	<u>(23,778)</u>	<u>799,720</u>	<u>775,942</u>
NET CHANGE IN FUND BALANCES	(21,504)	171,844	150,340
FUND BALANCES:			
Beginning of year	91,075	-	91,075
End of year	<u>\$ 69,571</u>	<u>\$ 171,844</u>	<u>\$ 241,415</u>

See notes to financial statements.

**LEELANAU MONTESSORI PUBLIC SCHOOL 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, 2018**

Net change in fund balances total governmental funds	\$ 150,340
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	(11,360)
Capital outlay	850,376
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The effect of these differences is the treatment of long-term debt and related items and are as follows:	
Proceeds from long-term debt	(799,720)
Compensated absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds:	
Accumulated compensated absences, beginning of the year	9,938
Accumulated compensated absences, end of the year	<u>(11,813)</u>
Change in net position of governmental activities	<u><u>\$ 187,761</u></u>

**LEELANAU MONTESSORI PUBLIC SCHOOL ACADEMY
STATEMENT OF ASSETS AND LIABILITIES
FIDUCIARY FUNDS
JUNE 30, 2018**

	<u>Agency fund</u>
ASSETS:	
Cash and cash equivalents	\$ 2,411
LIABILITIES:	
Due to student other groups	\$ 2,411

**LEELANAU MONTESSORI PUBLIC SCHOOL 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. All fiduciary activities are reported only in the fund financial statements. *Governmental activities* normally are supported by intergovernmental revenues.

B. Reporting Entity

Leelanau Montessori Public School Academy (the “Academy”) is a public school academy as part of the Michigan Public School system under Public Act No. 362 of 1993. Suttons Bay Public Schools was the authorizing governing body for the Academy and contracted through June 2018 to charter the public school. Beginning July 2018, Bay Mills Community College is the authorizing governing body for the Academy and has contracted with the Academy to charter the public school through June 2026 and The Academy’s Board of Directors is approved by the authorizing body for the Academy and has decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for the 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. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

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, including its fiduciary funds. Separate statements for each fund category - governmental and fiduciary - 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.

**LEELANAU MONTESSORI PUBLIC SCHOOL 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 funds:

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 *capital projects fund* accounts for the acquisition of capital assets or the construction of major capital projects.

Fiduciary funds account for assets held by the Academy in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the Academy under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

The *agency fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. This fund is used to account for assets that the Academy holds for others in an agency capacity (primarily student activities).

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.

**LEELANAU MONTESSORI PUBLIC SCHOOL ACADEMY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Measurement Focus and Basis of Accounting (Continued)

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.

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 amount is 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 Academy Aid Act and the Academy Code of Michigan. The Michigan Department of Education administers the allocation of state funds to 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 Principle 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 intergovernmental receivables.

**LEELANAU MONTESSORI PUBLIC SCHOOL ACADEMY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Measurement Focus and Basis of Accounting (Concluded)

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.

F. Budgetary Information

Budgetary basis of accounting:

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

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executor) contracts for goods or services (i.e., purchase orders, contracts, and commitments). The Academy does not utilize encumbrance accounting.

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

1. The Superintendent submits to the Academy Board 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 the Academy 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 Academy Board of Directors.

**LEELANAU MONTESSORI PUBLIC SCHOOL ACADEMY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Budgetary Information (Concluded)

4. The budget was amended during the year with supplemental appropriations, the last one approved prior to year-end June 30, 2018. 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, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

2. Prepaids

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.

3. Capital assets

Capital assets, which include property, building and technology and equipment 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.

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:

<u>Capital asset classes</u>	<u>Lives</u>
Building and additions	20 - 50
Furniture and equipment	5 - 20

**LEELANAU MONTESSORI PUBLIC SCHOOL 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. 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.

5. 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.

6. 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.

**LEELANAU MONTESSORI PUBLIC SCHOOL 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)

7. 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. 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.

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.

**LEELANAU MONTESSORI PUBLIC SCHOOL ACADEMY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

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

2. Compensated absences

The Academy's policy permits employees to accumulate earned but unused leave days, which are eligible for payment upon separation from service. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary and related benefits, where applicable.

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, 2018, the Academy's bank balance of \$324,572 was not exposed to additional custodial credit risk as it was fully covered by federal depository insurance.

At June 30, 2018, the carrying amount is as follows:

Cash and cash equivalents - including fiduciary funds of \$2,411	<u>\$ 287,411</u>
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NOTE 3 - INTERGOVERNMENTAL RECEIVABLES

As of June 30, 2018, the Academy had the following amounts due from other governmental units:

Federal	\$ 33,380
State	120,427
Intermediate	<u>11,591</u>
	<u>\$ 165,398</u>

No allowance for doubtful accounts is considered necessary.

**LEELANAU MONTESSORI PUBLIC SCHOOL ACADEMY
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 - CAPITAL ASSETS

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

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Capital assets not being depreciated:				
Land	\$ -	\$ 84,828	\$ -	\$ 84,828
Construction in progress	-	2,100	-	2,100
Total capital assets not being depreciated	-	86,928	-	86,928
Capital assets being depreciated:				
Buildings and additions	-	763,448	-	763,448
Furniture and equipment	85,273	-	-	85,273
Total capital assets being depreciated	85,273	763,448	-	848,721
Accumulated depreciation:				
Buildings and additions	-	1,357	-	1,357
Furniture and equipment	43,682	10,003	-	53,685
Total accumulated depreciation	43,682	11,360	-	55,042
Net capital assets being depreciated	41,591	752,088	-	793,679
Net governmental capital assets	\$ 41,591	\$ 839,016	\$ -	\$ 880,607

Depreciation for the fiscal year ended June 30, 2018 amounted to \$11,360. \$10,003 was charged to support services and \$1,357 was unallocated.

NOTE 5 - NOTE PAYABLE - STATE AID ANTICIPATION NOTE

At June 30, 2018, the Academy had one outstanding state aid anticipation note payable secured by the Academy's assets. Proceeds of the note were used to fund school operations. The note is a \$250,000 note payable that carries an interest rate of 4.75% and matures in October 2018.

Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
\$ 25,459	\$ 250,000	\$ 174,264	\$ 101,195

**LEELANAU MONTESSORI PUBLIC SCHOOL ACADEMY
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - LONG-TERM DEBT

The Academy entered into an advance mortgage construction loan for the purchase and renovation of a building. The maximum principal amount secured by this instrument at any one time will not exceed \$1,092,000. The mortgage bears interest of 3.50% above a United States Treasury 5 year index rate for an actual interest rate of 6.30%. The interest rate will change every five years from the loan anniversary date based on the adjustment of this index. At June 30, 2018, \$799,720 was outstanding.

The annual requirements to amortize long-term debts outstanding are as follow:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ -	\$ 50,388	\$ 50,388
2020	14,902	50,130	65,032
2021	22,133	48,811	70,944
2022	23,568	47,376	70,944
2023	25,097	45,847	70,944
2024 - 2028	152,111	202,609	354,720
2029 - 2033	208,261	146,459	354,720
2034 - 2038	285,134	69,586	354,720
2039	68,514	2,430	70,944
	<u>\$ 799,720</u>	<u>\$ 663,636</u>	<u>\$ 1,463,356</u>

Changes in long-term debt for the year ending June 30, 2018 are summarized as follows:

	<u>Balance July</u>			<u>Balance June</u>	<u>Due within</u>
	<u>1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>30, 2018</u>	<u>one year</u>
Building loan	\$ -	\$ 799,720	\$ -	\$ 799,720	\$ -
Compensated absences	9,938	1,875	-	11,813	1,181
Totals	<u>\$ 9,938</u>	<u>\$ 801,595</u>	<u>\$ -</u>	<u>\$ 811,533</u>	<u>\$ 1,181</u>

**LEELANAU MONTESSORI PUBLIC SCHOOL ACADEMY
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - OPERATING LEASE

The Academy leases classroom space and shares costs of custodial services and utilities with Suttons Bay Public Schools. The lease ends December 31, 2018. Under the lease, the Academy pays \$4,269 per month, which is reconciled quarterly based on actual costs of utilities. At the conclusion of this lease, the Academy will relocate to its newly purchased and renovated location. Future minimum payments under this lease are as follows for the year ended June 30:

2019	\$ <u>25,614</u>
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Rental expense was \$33,500 for the year ended June 30, 2018.

NOTE 8 - OVERSIGHT FEES

The Academy pays an administrative oversight fee of 3% of its state school aid to the Suttons Bay Public Schools, as set forth by contract, to reimburse Sutton Bay Public Schools 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, 2018, the Academy incurred expense of \$19,930 for oversight fees.

NOTE 9 - MANAGEMENT AGREEMENT

The Academy had entered into an annual (renewable at the end of each twelve month period) management agreement with Traverse City Area Public Schools for operations of the Academy. Under the terms of the management agreement, TCAPS' compensation for operating the Academy was \$15,000 for the fiscal year 2018.

NOTE 10 - RISK MANAGEMENT

The Academy is exposed to various risks 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.

**LEELANAU MONTESSORI PUBLIC SCHOOL ACADEMY
NOTES TO FINANCIAL STATEMENTS**

NOTE 11 - UPCOMING ACCOUNTING PRONOUNCEMENTS

Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, was issued by the GASB in January 2017 and will be effective for the District's 2020 year end. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities for all state and local governments. The focus on the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Districts with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position.

Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, was issued by the GASB in June 2017 and will be effective for the District's 2021 year end. The objective of this Statement is to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use the underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

REQUIRED SUPPLEMENTARY INFORMATION

**LEELANAU MONTESSORI PUBLIC SCHOOL ACADEMY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2018**

	Original budget	Final budget	Actual	Variance with final budget
REVENUES:				
Local sources	\$ 85,025	\$122,500	\$110,475	\$ (12,025)
State sources	757,234	726,132	695,831	(30,301)
Federal sources	31,000	47,068	37,537	(9,531)
Other	6,000	6,400	7,140	740
Total revenues	<u>879,259</u>	<u>902,100</u>	<u>850,983</u>	<u>(51,117)</u>
EXPENDITURES:				
Instruction:				
Basic programs	449,147	437,093	421,963	15,130
Added needs	64,705	85,763	61,524	24,239
Total instruction	<u>513,852</u>	<u>522,856</u>	<u>483,487</u>	<u>39,369</u>
Support services:				
Pupil	1,250	1,250	925	325
Instructional staff	10,500	23,811	16,832	6,979
General administration	41,966	42,294	41,681	613
School administration	166,239	171,532	167,153	4,379
Business	31,864	32,164	31,313	851
Operation and maintenance	81,150	80,212	76,124	4,088
Pupil transportation	8,000	5,750	4,995	755
Central services	23,250	22,250	21,850	400
Total support services	<u>364,219</u>	<u>379,263</u>	<u>360,873</u>	<u>18,390</u>
Community services	-	4,750	4,349	401
Total expenditures	<u>878,071</u>	<u>906,869</u>	<u>848,709</u>	<u>58,160</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,188</u>	<u>(4,769)</u>	<u>2,274</u>	<u>7,043</u>
OTHER FINANCING SOURCES (USES):				
Transfers out and other transactions	(1,000)	(31,000)	(23,778)	7,222
Total other financing sources (uses)	<u>(1,000)</u>	<u>(31,000)</u>	<u>(23,778)</u>	<u>7,222</u>
NET CHANGE IN FUND BALANCE	<u>\$ 188</u>	<u>\$ (35,769)</u>	<u>(21,504)</u>	<u>\$ 14,265</u>
FUND BALANCE:				
Beginning of year			<u>91,075</u>	
End of year			<u>\$ 69,571</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
Leelanau Montessori Public School 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 Leelanau Montessori Public School Academy as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Leelanau Montessori Public School Academy’s basic financial statements and have issued our report thereon dated September 18, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Leelanau Montessori Public School 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 Leelanau Montessori Public School Academy’s internal control. Accordingly, we do not express an opinion on the effectiveness of Leelanau Montessori Public School 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 Leelanau Montessori Public School 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.

Manes Costeiran PC

September 18, 2018