

**LEELANAU MONTESSORI PUBLIC
SCHOOL ACADEMY**

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

YEAR ENDED JUNE 30, 2016

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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, the major fund, and the aggregate remaining fund information of Leelanau Montessori Public School Academy, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the 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 Academy'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 Academy'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, the major fund, and the aggregate remaining fund information of Leelanau Montessori Public School Academy, as of June 30, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, 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 13, 2016, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering Leelanau Montessori Public School Academy's internal control over financial reporting and compliance.

Manes Costeiran PC

September 13, 2016

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

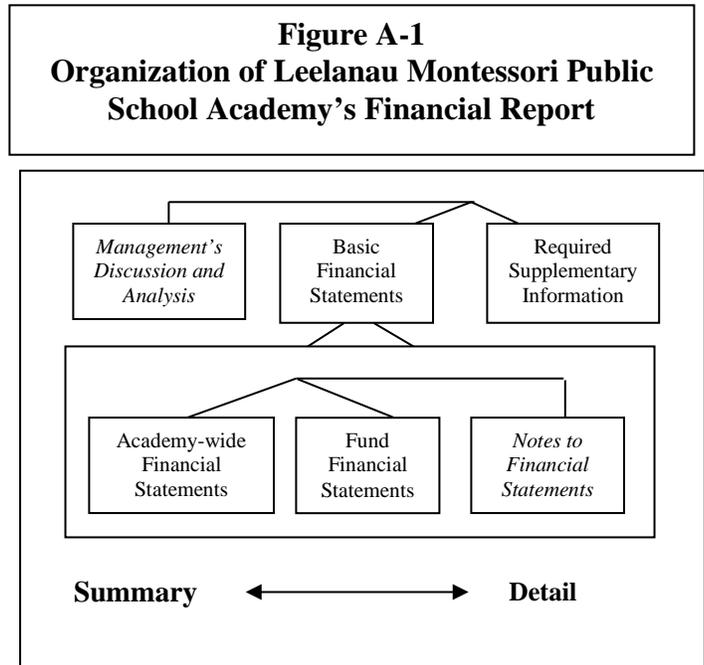
Financial Highlights

- The Academy had an increase in the fund balance in the general fund of \$31,717, compared to a budgeted increase of \$2,474. This gives the Academy a general fund balance of \$57,486.

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, 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.

- 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 \$84,936 increased by \$33,106 during the year. See Figures A-3 and A-4.

The total revenues amounted to \$959,661. The state aid foundation allowance included in revenue from state sources accounts for approximately 80% of the Academy's revenue.

The total cost of instruction amounted to \$542,329. Total support service amounted to \$378,495.

Academy governmental activities

**Figure A-3
Leelanau Montessori Public School Academy's Net Position**

	<u>2016</u>	<u>2015</u>
Current assets	\$ 409,849	\$ 425,134
Capital assets	<u>40,238</u>	<u>44,011</u>
Total assets	<u>450,087</u>	<u>469,145</u>
Other liabilities	352,363	399,365
Long-term liabilities	<u>12,788</u>	<u>17,950</u>
Total liabilities	<u>365,151</u>	<u>417,315</u>
Net position:		
Net investment in capital assets	40,238	44,011
Unrestricted	<u>44,698</u>	<u>7,819</u>
Total net position	<u>\$ 84,936</u>	<u>\$ 51,830</u>

**Figure A-4
Changes in Leelanau Montessori Public School Academy's Net Position**

	<u>2016</u>	<u>2015</u>
Revenues:		
Program revenues:		
Operating grants	\$ 124,921	\$ 140,737
Charges for services	<u>58,447</u>	<u>51,937</u>
Total program revenues	183,368	192,674
General revenues:		
Investment earnings	24	13
State aid - unrestricted	766,400	692,771
Intermediate sources	5,203	5,997
Other	<u>4,666</u>	<u>13,065</u>
Total revenues	<u>959,661</u>	<u>904,520</u>
Expenses:		
Instruction	542,329	526,158
Support services	378,495	391,730
Community services	5,731	4,744
Other	<u>-</u>	<u>1,521</u>
Total expenses	<u>926,555</u>	<u>924,153</u>
Change in net position	<u>\$ 33,106</u>	<u>\$ (19,633)</u>

Financial analysis of the Academy’s funds

The Academy’s general fund balance increased by \$31,717. Instruction expenditures amounted to \$546,094 and support service expenditures amounted to \$376,119. Both increased due to the increase in the number of students attending the Academy.

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 revenues would exceed expenditures by \$2,474. The actual results for the year showed revenues over expenditures of \$31,717.

Actual revenues were \$35,497 less than budgeted, due primarily to unspent grants.

Actual expenditures were \$62,740 less than budget, due primarily to the unspent grants and savings in operations and maintenance, transportation, and instruction.

By the end of the year ended June 30, 2016, the Academy had invested \$40,238 in capital assets net of accumulated depreciation as summarized in Figure A-5. This amount represents a decrease of \$3,773 from the beginning of the year. Total depreciation expense for the year was \$7,757. More detailed information about capital assets can be found in note 4 of the financial statements.

The Academy’s capital assets are as follows:

	2016		2015	
	Cost	Accumulated depreciation	Net book value	Net book value
Equipment	<u>\$ 74,373</u>	<u>\$ 34,135</u>	<u>\$ 40,238</u>	<u>\$ 44,011</u>

Long-term debt

As of June 30, 2016, the Academy has obligations for compensated absences of \$12,788.

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 2016-2017 is \$7511, This amount is an increase of \$120 from the previous year.
- There is continued commitment to develop board capacity, which includes committees that have a primary focus of fundraising and grant writing. The intention is to raise more funds for programming.
- The possible addition of a middle school program to extend the Montessori Program into 7th and 8th grade.
- The space to grow the Montessori program within our current building arrangement.

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, 2016**

	Governmental activities
ASSETS:	
Cash and cash equivalents	\$ 229,762
Accounts receivable	252
Intergovernmental receivables	179,357
Due from fiduciary fund	102
Prepays	376
Capital assets, net of accumulated depreciation	40,238
TOTAL ASSETS	450,087
LIABILITIES:	
Accounts payable	9,262
Accrued expenditures	83,954
Unearned revenue	9,147
Note payable	250,000
Noncurrent liabilities:	
Due within one year	1,278
Due in more than on year	11,510
TOTAL LIABILITIES	365,151
NET POSITION:	
Net investment in capital assets	40,238
Unrestricted	44,698
TOTAL NET POSITION	\$ 84,936

**LEELANAU MONTESSORI PUBLIC SCHOOL ACADEMY
STATEMENT OF ACTIVITIES
JUNE 30, 2016**

<u>Functions/programs</u>	<u>Expenses</u>	<u>Program revenues</u>		<u>Governmental activities</u>
		<u>Charges for services</u>	<u>Operating grants</u>	<u>Net (expense) revenue and changes in net position</u>
Governmental activities:				
Instruction	\$ 542,329	\$ 54,807	\$ 86,998	\$ (400,524)
Support services	378,495	-	37,923	(340,572)
Community services	<u>5,731</u>	<u>3,640</u>	<u>-</u>	<u>(2,091)</u>
Total governmental activities	<u>\$ 926,555</u>	<u>\$ 58,447</u>	<u>\$ 124,921</u>	<u>(743,187)</u>
General revenues:				
Investment earnings				24
State sources - unrestricted				766,400
Intermediate sources				5,203
Other				<u>4,666</u>
Total general revenues				<u>776,293</u>
CHANGE IN NET POSITION				33,106
NET POSITION, beginning of year				<u>51,830</u>
NET POSITION, end of year				<u>\$ 84,936</u>

**LEELANAU MONTESSORI PUBLIC SCHOOL ACADEMY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016**

	<u>General fund</u>
ASSETS:	
Cash and cash equivalents	\$ 229,762
Accounts receivable	252
Intergovernmental receivables	179,357
Due from fiduciary fund	102
Prepays	376
TOTAL ASSETS	<u><u>\$ 409,849</u></u>
LIABILITIES:	
Accounts payable	\$ 9,262
Accrued expenditures	83,954
Unearned revenue	9,147
Note payable	250,000
TOTAL LIABILITIES	<u><u>352,363</u></u>
FUND BALANCES:	
Nonspendable:	
Prepays	376
Unassigned	57,110
TOTAL FUND BALANCES	<u><u>57,486</u></u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 409,849</u></u>
Total governmental fund balances	<u><u>\$ 57,486</u></u>
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	\$ 74,373
Accumulated depreciation is	<u>(34,135)</u>
	40,238
Long-term liabilities that are not due and payable in the current period and are not reported in the funds:	
Accumulated compensated absences	<u>(12,788)</u>
Net position of governmental activities	<u><u>\$ 84,936</u></u>

**LEELANAU MONTESSORI PUBLIC SCHOOL ACADEMY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016**

	General fund
REVENUES:	
Local sources	\$ 62,477
State sources	823,473
Federal sources	27,494
Other	46,216
Total revenues	959,660
EXPENDITURES:	
Current:	
Instruction:	
Basic programs	474,542
Added needs	71,552
Total instruction	546,094
Support services:	
Pupil	945
Instructional staff	15,544
General administration	38,068
School administration	163,545
Business services	31,288
Operation and maintenance	78,215
Pupil transportation	25,238
Central services	23,276
Total support services	376,119
Community service	5,730
Total expenditures	927,943
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	31,717
FUND BALANCES:	
Beginning of year	25,769
End of year	\$ 57,486

**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, 2016**

Net change in fund balances total governmental funds	\$ 31,717
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	(7,757)
Capital outlay	3,984
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	17,950
Accumulated compensated absences, end of the year	<u>(12,788)</u>
Change in net position of governmental activities	<u><u>\$ 33,106</u></u>

**LEELANAU MONTESSORI PUBLIC SCHOOL ACADEMY
STATEMENT OF ASSETS AND LIABILITIES
FIDUCIARY FUNDS
JUNE 30, 2016**

	<u>Agency fund</u>
ASSETS:	
Cash and cash equivalents	\$ 8,340
LIABILITIES:	
Due to other funds	\$ 102
Due to student other groups	<u> 8,238</u>
TOTAL LIABILITIES	<u>\$ 8,340</u>

**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 is the authorizing governing body for the Academy and has contracted with the Academy to charter the public school through June 2018. 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 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.

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.

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.

**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 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.

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.

**LEELANAU MONTESSORI PUBLIC SCHOOL 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.

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.
4. The budget was amended during the year with supplemental appropriations, the last one approved prior to year-end June 30, 2016. The Academy does not consider these amendments to be significant.

**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

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. Prepays

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 fair 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:

Capital asset classes:	Lives
Equipment	5 - 20

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.

**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 (Concluded)

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.

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).

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

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

7. Fund balance policies (Concluded)

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.

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.

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

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, 2016, the Academy's bank balance of \$242,303 was not exposed to additional custodial credit risk as it was fully covered by federal depository insurance.

At June 30, 2016, the carrying amount is as follows:

Cash and cash equivalents - including fiduciary funds of \$8,340	<u><u>\$ 238,102</u></u>
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NOTE 3 - INTERGOVERNMENTAL RECEIVABLES

As of June 30, 2016, the Academy had the following amounts due from other governmental units:

Federal	\$ 23,509
State	142,501
Intermediate	<u>13,347</u>
	<u><u>\$ 179,357</u></u>

No allowance for doubtful accounts is considered necessary.

NOTE 4 - CAPITAL ASSETS

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

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Capital assets being depreciated:				
Equipment	\$ 70,389	\$ 3,984	\$ -	\$ 74,373
Accumulated depreciation:				
Equipment	26,378	7,757	-	34,135
Net capital assets being depreciated	44,011	(3,773)	-	40,238
Net governmental capital assets	<u>\$ 44,011</u>	<u>\$ (3,773)</u>	<u>\$ -</u>	<u>\$ 40,238</u>

Depreciation for the fiscal year ended June 30, 2016 amounted to \$7,757. \$133 was charged to instruction and \$7,624 was charged to support services.

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

NOTE 5 - LONG-TERM DEBT

Changes in long-term debt for the year ending June 30, 2016 are summarized as follows:

	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2016</u>	<u>Due within one year</u>
Compensated absences	\$ 17,950	\$ -	\$ 5,162	\$ 12,788	\$ 1,278

NOTE 6 - NOTE PAYABLE

At June 30, 2016, the Academy had one outstanding note payable secured by the Academy's assets. The note is a \$250,000 note payable that carries an interest rate of 4.75% and matures in July 2017.

<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2016</u>
\$ 272,959	\$ 250,000	\$ 272,959	\$ 250,000

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 June 30, 2018. Under the lease, the Academy pays \$5,000 per month, which is reconciled quarterly based on actual costs of utilities. Future minimum payments under this lease are as follows for the year ended June 30:

2017	\$ 60,000
2018	60,000
	<u>\$ 120,000</u>

Rental expense was \$35,800 for the year ended June 30, 2016.

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

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, 2016, the Academy incurred expense of \$23,410 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 2016.

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.

REQUIRED SUPPLEMENTARY INFORMATION

**LEELANAU MONTESSORI PUBLIC SCHOOL ACADEMY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2016**

	Original budget	Final budget	Actual	Variance with final budget
REVENUES:				
Local sources	\$ 60,525	\$ 65,525	\$ 62,477	\$ (3,048)
State sources	823,453	839,167	823,473	(15,694)
Federal sources	30,500	42,912	27,494	(15,418)
Other	23,000	47,553	46,216	(1,337)
Total revenues	<u>937,478</u>	<u>995,157</u>	<u>959,660</u>	<u>(35,497)</u>
EXPENDITURES:				
Instruction:				
Basic programs	457,276	492,714	474,542	18,172
Added needs	73,466	87,686	71,552	16,134
Total instruction	<u>530,742</u>	<u>580,400</u>	<u>546,094</u>	<u>34,306</u>
Support services:				
Pupil	500	1,250	945	305
Instructional staff	25,080	26,560	15,544	11,016
General administration	42,647	44,645	38,068	6,577
School administration	160,067	159,220	163,545	(4,325)
Business	24,300	31,010	31,288	(278)
Operation and maintenance	88,780	89,980	78,215	11,765
Pupil transportation	31,100	26,743	25,238	1,505
Central services	25,000	25,000	23,276	1,724
Total support services	<u>397,474</u>	<u>404,408</u>	<u>376,119</u>	<u>28,289</u>
Community services	5,337	5,875	5,730	145
Total expenditures	<u>933,553</u>	<u>990,683</u>	<u>927,943</u>	<u>62,740</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>3,925</u>	<u>4,474</u>	<u>31,717</u>	<u>27,243</u>
OTHER FINANCING SOURCES (USES):				
Transfers out and other transactions	(2,000)	(2,000)	-	2,000
Total other financing sources (uses)	<u>(2,000)</u>	<u>(2,000)</u>	<u>-</u>	<u>2,000</u>
NET CHANGE IN FUND BALANCE	<u>\$ 1,925</u>	<u>\$ 2,474</u>	<u>31,717</u>	<u>\$ 29,243</u>
FUND BALANCE:				
Beginning of year			<u>25,769</u>	
End of year			<u>\$ 57,486</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, 2016, 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 13, 2016.

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.

Maney Costeiran PC

September 13, 2016

September 13, 2016

To the Board of Directors
Leelanau Montessori Public School Academy

In planning and performing our audit of the financial statements of Leelanau Montessori Public School Academy as of and for the year ended June 30, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered Leelanau Montessori Public School Academy's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, during our audit, we noted certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated September 13, 2016 on the financial statements of Leelanau Montessori Public School Academy. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations. Our comments are summarized as follows:

Repeat Comments

Positive Pay Service

The Academy should consider implementing a positive pay service from their bank. Positive pay is a fraud deterrent service offered by banks that allows commercial customers to monitor and control the payment of checks. It also provides assurance that presented items have not been altered. The customer provides the bank with an electronic listing of all disbursements. Each check presented for payment is compared to this database (check number, amount, payee, date, etc.), and any checks that do not match exactly are placed on an exception listing. The exceptions are available for review daily, usually online, so the customer may make a final determination of payment. More information about this service is available from most commercial banks.

We noted that certain employees in the business office can initiate and release electronic transactions without a second review or approval. We recommend the Academy implement controls over transfers and ACH transactions that require a dual approval process.

Review of Vendors

During our review of the cash disbursements process, we noted a few items that would help improve internal controls in this area. First, when a new vendor is added to the system, a search for the vendor should be performed on the website www.sam.gov which contains all of the federal debarred vendors. Second, the vendor list should be reviewed at least annually in order to search for any unusual or improper vendors.

Long Range Plan and Disaster Recovery Plan

The Academy has network backup and recovery procedures. We recommend the Academy leverage these procedures and develop a more comprehensive written disaster recovery plan. The time to make contingency plans is before disaster strikes, so that all personnel will be aware of their responsibilities in the event of an emergency situation that precludes the use of the existing procedures. We suggest that management develop a disaster recovery plan that includes, but is not limited to, the following matters:

- Location of, and access to, off-site storage.
- A listing of all data files that would have to be obtained from the off-site storage location.
- Identification of a back-up location (name and telephone number) with similar or compatible equipment for emergency processing (management should make arrangements for such back-up with another company, a computer vendor, or a service center; the agreement should be in writing).
- Responsibilities of various personnel in an emergency.
- Priority of critical applications and reporting requirements during the emergency period.
- Documentation of personnel assignments and manual alternative procedures to be implemented until the automated systems can be brought back online.

Policies and Procedures

We noted that the Academy does not have a formal accounting procedures manual. Written procedures, instructions, and assignments of duties will prevent or reduce misunderstandings, errors, inefficient or wasted effort, duplicated or omitted procedures, and other situations that can result in inaccurate or untimely accounting records.

A well-devised accounting manual can also help to ensure that all similar transactions are treated consistently, that accounting principles used are proper, and that records are produced in the form desired by management. A good accounting manual should aid in the training of new employees and possibly allow for delegation to other employees of some accounting functions management performs. We recommend the Academy implement a formal accounting policies and procedures manual detailing the process each business services employee completes when performing their job functions.

We also recommend that the Academy implement written policies and procedures for their federal programs and for investments. The MDE website has several templates available to assist districts in improving their federal policies and procedures. For investments, we recommend implementing a policy to be in compliance with GASB Statement #40.

Payroll Procedures

During our review of payroll procedures, we noted an instance where internal controls could be improved. The payroll register should be reviewed by someone who does not have the authority to tell Axios to add an employee or change an employee's wage rate. This review should be performed with each payroll and should be documented by initialing the payroll register.

This report is intended solely for the information and use of Leelanau Montessori Public School Academy, management, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the cooperation we received from your staff during our engagement and the opportunity to be of service.

Very truly yours,

Manes Costeiran PC

September 13, 2016

To the Board of Directors
Leelanau Montessori Public School Academy

We have audited the financial statements of Leelanau Montessori Public School Academy for the year ended June 30, 2016, and have issued our report thereon dated September 13, 2016. 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 Leelanau Montessori Public School 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 Leelanau Montessori Public School 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 in our meeting about planning matters.

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 the Leelanau Montessori Public School Academy are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2016. We noted no transactions 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 13, 2016.

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 Leelanau Montessori Public School 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 Leelanau Montessori Public School 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 and assurance on the RSI.

This information is intended solely for the use of the Board of Directors and management of Leelanau Montessori Public School 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