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Washtenaw Technical Middle College

Financial Statements

June 30, 2017

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Washtenaw Technical Middle College
Members of the Board of Directors and Administration
June 30, 2017

Members of the Board of Directors

Stuart E. White – President

Jan Gensheimer – Vice-chairman

Paulette R. Miller – Treasurer

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Independent Auditors' Report

To the Board of Directors
Washtenaw Technical Middle College
Ann Arbor, Michigan

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 Washtenaw Technical Middle College (the Academy), as of and for the year ended June 30, 2017, 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.

Auditors' 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 auditors' 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.

Opinion

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 Washtenaw Technical Middle College, as of June 30, 2017, and the respective changes in financial position 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, budgetary comparison information, schedule of the Academy's proportionate share of the net pension liability, and schedule of the Academy's contributions, 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Washtenaw Technical Middle College's basic financial statements. The other supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information, as identified in the table of contents, is the responsibility of management and, other than the prior year information, was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, other than the prior year information, the other supplementary information, as identified in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Prior Year Information

We also have previously audited, in accordance with auditing standards generally accepted in the United States, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, Washtenaw Technical Middle College's financial statements as of and for the year ended June 30, 2016, which are not presented with the accompanying financial statements. In our report dated September 27, 2016, we expressed unmodified opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information. That audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Washtenaw Technical Middle College's financial statements as a whole. The 2016 information in the comparative supplementary schedules is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2016 financial statements. The information has been subjected to the auditing procedures applied in the audit of those financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2016 information in the comparative supplementary schedules is fairly stated in all material respects in relation to the financial statements from which they have been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2017 on our consideration of Washtenaw Technical Middle College'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 Washtenaw Technical Middle College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Washtenaw Technical Middle College's internal control over financial reporting and compliance.

Yeo & Yeo, P.C.

Lansing, Michigan
September 29, 2017

MANAGEMENT’S DISCUSSION AND ANALYSIS

This section of Washtenaw Technical Middle College's (the "Academy") annual financial report presents our discussion and analysis of the Academy's financial performance during the year ended June 30, 2017. Please read it in conjunction with the Academy's financial statements, which immediately follow this section.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Washtenaw Technical Middle College financially as a whole. The government-wide financial statements provide information about the activities of the whole Academy, presenting both an aggregate view of the Academy's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. The fund financial statements look at the Academy's operations in more detail than the government-wide financial statements by providing information about the Academy's most significant fund – the General Fund. The remaining statement, the statement of fiduciary assets and liabilities, presents financial information about activities for which the Academy acts solely as an agent for the benefit of students and parents. The components of the annual report are as follows:

Management's Discussion and Analysis (MD&A)
(Required Supplementary Information)

Basic Financial Statements

Government-wide Financial Statements   Fund Financial Statements

Notes to the Basic Financial Statements

Budgetary Information for Major Fund
(Required Supplementary Information)

Reporting the Academy as a Whole – Government-wide Financial Statements

One of the most important questions asked about the Academy is, "As a whole, what is the Academy's financial condition as a result of the year's activities?" The statement of net assets and the statement of activities, which appear first in the Academy's financial statements, report information on the Academy as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Academy's net position – the difference between assets and liabilities, as reported in the statement of net position – which is one way to measure the Academy's financial health or financial position. Over time, increases or decreases in the Academy's net position – as reported in the statement of activities – are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the Academy's operating results. However, the Academy's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided, to assess the overall health of the Academy.

The statement of net position and the statement of activities report the governmental activities for the Academy, which encompass all of the Academy's services, including instruction and support services. Unrestricted state aid (foundation allowance revenue) and state grants finance most of these activities.

Reporting the Academy's Most Significant Fund – Fund Financial Statements

The Academy's fund financial statements provide detailed information about the Academy's General Fund – not the Academy as a whole. The governmental fund of the Academy uses the following accounting approach:

> All of the Academy's services are reported in the governmental fund. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the Academy and the services it provides. Governmental fund information 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. We describe the relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and the governmental fund in a reconciliation.

The Academy as Trustee – Reporting the Academy's Fiduciary Responsibilities

The Academy is the trustee, or fiduciary, for its student activity funds. All of the Academy's fiduciary activities are reported in a separate statement of fiduciary assets and liabilities. We exclude these activities from the Academy's other financial statements because the Academy cannot use these assets to finance its operations. The Academy is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The Academy as a Whole

Recall that the statement of net position provides the perspective of the Academy as a whole. The following table provides a summary of the Academy's net position as of June 30, 2017 and 2016:

	Governmental Activities	
	2017	2016
Assets		
Current and other assets	$2,942,957	$2,426,232
Capital assets	14,726	21,954
Total assets	2,957,683	2,448,186
Deferred Outflows of Resources		
Deferred amount of pension expense related to net pension liability	1,128,207	783,873
Total assets and deferred outflows of resources	4,085,890	3,232,059
Liabilities		
Current liabilities	515,818	511,700
Long-term liabilities	3,846,812	3,352,454
Total liabilities	4,362,630	3,864,154
Deferred Inflows of Resources		
Deferred amount of net pension liability	137,166	97,096
Total liabilities and deferred inflows of resources	4,499,796	3,961,250
Net Position		
Net investment in capital assets	14,726	21,954
Unresticted	(428,632)	(751,145)
Total net position	$ (413,906)	$ (729,191)

The above analysis focuses on the net position (see above table). The change in net position (see table below) of the Academy's governmental activities is discussed below. The Academy's net position was approximately $ (414,000) at June 30, 2017. Capital assets totaling approximately $ 15,000 represent the original cost less depreciation of the Academy's capital assets.

The approximately $ (429,000) in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. The unrestricted net position balance enables the Academy to meet working capital and cash flow requirements as well as to provide for future uncertainties. This statement has been affected by the following:

GASB 68 Accounting and Financial Reporting for Pension– In accordance with GASB Statement 68, the School District has implemented the standard that requires, that the net pension liability is reported in financial statements for pensions across the country, including the Michigan Public School Employees Retirement System. Since the State of Michigan has no employees in this plan and is not a participating employer in the plan, the pension liability and expense are required to be recorded by the participants in the plan – Michigan public school districts. Effective June 30, 2015, the School District must record its proportionate share of the total Michigan Public School Employees Retirement System net pension liability and expense in the district-wide financial statements. Additional information regarding the liability and expense can be found in the disclosure footnotes to the Financial Statements.

The net pension liability and related expense have a significant impact on the district's Total Net Position. This is not a new liability. It has been a shared responsibility of all Michigan public schools since the 1990's. In order to provide useful employer-level pension information, improve transparency, and to make it easier to compare public pension plans by standardizing financial reporting requirements, the net pension liability is now being recorded on the district-wide financial statements. What is new is that the total liability is now being divided proportionately among state-wide employers and recorded on the financial statements. It is unlike any other liability reported on a balance sheet. It is not immediately due and cannot be paid off under an accelerated schedule. The pension expense represents the change in net pension liability from year to year and can change materially from year to year depending on new retirees to the system and the number of employer contributions made to the system.

The Office of Retirement Services calculates the total pension liability. The proportionate share for each school district is calculated based on the prior year's total pension contributions to the retirement system. This large liability has a significant impact on the unrestricted net position of the School District but does not affect the School District's governmental-fund financial statements. The majority of Michigan public school districts, if not every single one of them, will report a significant decrease in Net Position based on the implementation of GASB 68.

The operating results of the General Fund will have a significant impact on the change in unrestricted net position from year to year. Approximately, $ 1,000,000 has been set aside for the support and development of Washtenaw Technical Middle College.

The results of the year's operations for the Academy as a whole are reported in the statement of activities (see table below), which shows the changes in net assets for fiscal years 2017 and 2016.

	Governmental Activities	
	2017	2016
Revenue		
Program revenue		
Charges for services	$ 25	$ 47
Operating grants	359,693	258,023
General revenue		
State foundation allowance	4,942,968	4,336,222
Other	1,807	1,714
Total revenue	5,304,493	4,596,006
Functions/Program Expenses		
Instruction	3,702,972	3,519,058
Support services	1,279,008	1,173,681
Depreciation (unallocated)	7,228	8,350
Total functions/program expenses	4,989,208	4,701,089
Change in Net Position	$ 315,285	$ (105,083)

As reported in the statement of activities, the cost of all of our governmental activities this year was $ 4,989,208. Certain activities were partially funded from those who benefited from the programs or by other governments that subsidized certain programs with grants of $ 359,693. We paid for the remaining "public benefit" portion of our governmental activities with $ 4,942,968 in state foundation allowance and with our other revenues, i.e., interest.

The Academy experienced an increase in net position of $315,285 primarily due to increases in enrollment leading to larger state aid payments and operating grants.

As discussed above, the net cost shows the financial burden that was placed on the Academy by each of these functions. Since unrestricted state aid constitutes the vast majority of Academy operating revenue sources, the board of directors and administration must annually evaluate the needs of the Academy and balance those needs with state-prescribed available unrestricted resources.

The Academy's Governmental Funds

As we noted earlier, the Academy uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the Academy is being accountable for the resources the State and others provide to it and may provide more insight into the Academy's overall financial health.

As the Academy completed this year, the General Fund reported a fund balance of $ 2,427,139, which is an increase of $ 512,607 from last year.

General Fund balance is available to fund costs related to allowable school operating purposes and to maintain adequate cash flow. This is important as no state aid revenue is received in September and without adequate fund balance to maintain cash flow, the Academy would need to barrow funds and would spend additional funds on interest costs.

General Fund Budgetary Highlights

Over the course of the year, the Academy revises its budget at its attempts to deal with unexpected changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was adopted in June 2017. A schedule showing the Academy's original and final budget amounts compared with amounts actually paid and received is provided in required supplementary information of these financial statements.

There were no significant variances between the final budget and actual amounts.

Capital Assets

As of June 30, 2017, the Academy invested $ 177,754 in furniture and equipment without any debt outstanding. Accumulated depreciation totaled $ 163,026, which results in a book value of $ 14,726.

No major capital projects are planned for the 2017-2018 fiscal year. We present more detailed information about our capital assets in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

Our board of directors and administration consider many factors when setting the Academy's 2017-2018 fiscal year budget. One of the most important factors affecting the budget is our student count. The state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2017-2018 fiscal year is 10 percent and 90 percent of the February 2017 and October 2017 student counts, respectively. The 2017-2018 budget was adopted in June 2017, based on an estimate of students that will be enrolled in October 2017. Substantially all of the General Fund revenue is from the foundation allowance. As a result, Academy funding is dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2017-2018 school year, we anticipate that the fall student count will be approximately 700. Once the final student counts and related per pupil funding is validated, state law requires the Academy to amend the budget if actual Academy resources are not sufficient to fund original appropriations.

Since the Academy's revenue is dependent on state funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriations to school districts. The State periodically holds a revenue-estimating conference to estimate revenues. If the State determines at this conference that funds are not sufficient to fund the appropriations, the Legislature must revise the appropriation or a proration of state aid will occur.

BASIC FINANCIAL STATEMENTS

Washtenaw Technical Middle College
Statement of Net Position
June 30, 2017

	Governmental Activities
Assets	
Cash	$ 1,453,127
Accounts receivable	14,782
Due from other governmental units	965,554
Certificates of deposit	506,514
Prepaid items	2,980
Capital assets - net of accumulated depreciation	14,726
Total assets	2,957,683
Deferred Outflows of Resources	
Deferred amount of pension expense related to net pension liability	1,128,207
Total assets and deferred outflows of resources	4,085,890

See Accompanying Notes to the Financial Statements

Washtenaw Technical Middle College
Statement of Net Position
June 30, 2017

	Governmental Activities
Liabilities	
Accounts payable	$ 266,834
Accrued expenditures	83,742
Accrued salaries payable	158,659
Unearned revenue	6,583
Noncurrent liabilities	
Net pension liability	3,832,052
Compensated absences	14,760
Total liabilities	4,362,630
Deferred Inflows of Resources	
Deferred amount of net pension liability	137,166
Net Position	
Invested in capital assets	14,726
Unrestricted (deficit)	(428,632)
Total net position	$ (413,906)

See Accompanying Notes to the Financial Statements

Washtenaw Technical Middle College
Statement of Activities
For the Year Ended June 30, 2017

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Functions/Programs				
Governmental activities				
Instruction	$ 3,702,972	$ 25	$ 172,501	$ (3,530,446)
Supporting services	1,279,008	-	187,192	(1,091,816)
Depreciation (unallocated)	7,228	-	-	(7,228)
Total governmental activities	$ 4,989,208	$ 25	$ 359,693	(4,629,490)
General revenues				
State aid - unrestricted				4,942,968
Interest earnings				1,307
Other				500
Total general revenues				4,944,775
Change in net position				315,285
Net position - beginning				(729,191)
Net position - ending				$ (413,906)

See Accompanying Notes to the Financial Statements

Washtenaw Technical Middle College
Governmental Fund
Balance Sheet
June 30, 2017

	General Fund
Assets	
Cash	$ 1,453,127
Accounts receivable	14,782
Due from other governmental units	965,554
Certificates of deposit	506,514
Prepaid items	2,980
Total assets	$ 2,942,957
Liabilities and Fund Balance	
Liabilities	
Accounts payable	$ 266,834
Accrued expenditures	83,742
Accrued salaries payable	158,659
Unearned revenue	6,583
Total liabilities	515,818
Fund Balance	
Non-spendable	
Prepaid items	2,980
Assigned - academy development	1,000,000
Unassigned	1,424,159
Total fund balance	2,427,139
Total liabilities and fund balances	$ 2,942,957

See Accompanying Notes to the Financial Statements

Washtenaw Technical Middle College
Reconciliation of Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2017

Total fund balances for governmental funds	$ 2,427,139
Total net position for governmental activities in the statement of net position is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets - net of accumulated depreciation	14,726
Deferred outflows (inflows) of resources	
Deferred inflows of resources resulting from net pension liability	1,128,207
Deferred outflows of resources resulting from net pension liability	(137,166)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.	
Net pension liability	(3,832,052)
Compensated absences	(14,760)
Net position of governmental activities	$ (413,906)

See Accompanying Notes to the Financial Statements

Washtenaw Technical Middle College
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2017

	General Fund
Revenues	
Local sources	$ 1,832
State sources	5,242,984
Interdistrict sources	59,677
Total revenues	5,304,493
Expenditures	
Current	
Education	
Instruction	3,557,003
Supporting services	1,230,549
Capital outlay	4,334
Total expenditures	4,791,886
Excess of revenues over expenditures	512,607
Fund balance - beginning	1,914,532
Fund balance - ending	$ 2,427,139

See Accompanying Notes to the Financial Statements

Washtenaw Technical Middle College
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2017

Net change in fund balances - Total governmental funds	$ 512,607
Total change in net position reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation expense	(7,228)
The statement of net position reports the net pension liability and deferred outflows of resources and deferred inflows related to the net pension liability and pension expense. However, the amount recorded on the governmental funds equals actual pension contributions.	
Net change in net pension liability	(493,263)
Net change in the deferred inflow of resources related to the net pension liability	(40,070)
Net change between actual pension contributions and the cost of benefits earned net of employee contributions	344,334
Expenses are recorded when incurred in the statement of activities.	
Compensated absences	(1,095)
Change in net position of governmental activities	$ 315,285

See Accompanying Notes to the Financial Statements

Washtenaw Technical Middle College
Fiduciary Funds
Statement of Fiduciary Assets and Liabilities
June 30, 2017

	Student Activities Agency Fund
Assets	
Cash	$ 11,845
Liabilities	
Accounts payable	$ 176
Due to student activity groups	11,669
Total liabilities	$ 11,845

See Accompanying Notes to the Financial Statements

Note 1 - Summary of Significant Accounting Policies

The accounting policies of Washtenaw Technical Middle College (the Academy) conform to accounting principles generally accepted in the United States of America (US GAAP) as applicable to governmental units. The following is a summary of the Academy's significant accounting policies:

Reporting Entity

The Academy was formed as a charter school academy pursuant to the Michigan School Code of 1976, as amended by Act No. 362 of the Public Acts of 1993 and Act No. 416 of the Public Accounts of 1994.

The Academy has entered into a contract with Washtenaw Community College (WCC) to charter a public school academy through June 30, 2022. The contract requires the Academy to act exclusively as a governmental agency and not undertake any action inconsistent with its status as an entity authorized to receive state school aid funds pursuant to the State Constitution. WCC is the fiscal agent for the Academy and is responsible for overseeing the Academy's compliance with the contract and all applicable laws. The Academy pays WCC three percent of the state aid foundation as administrative fees. The total administrative fees for the year to WCC was approximately $ 158,000.

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board (GASB) for determining the various governmental organizations to be included in the reporting entity. The Academic and Career Education Academy Board of Directors (Board) is the primary government that has oversight responsibility and control over all activities related to public education in the Academy. The Board receives funding from local, state, and federal government sources and must comply with the concomitant requirements of these funding source entities. However, the Board is not included in any other governmental "reporting entity" as defined in GASB pronouncements. The Board has separate legal standing and is fiscally independent of other governmental entities. As such, the Board has decision-making authority, the right to determine its budget, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters. The Board does not include any other component within its financial statements.

Academy-wide Financial Statements

The Academy's basic financial statements include both Academy-wide (reporting for the Academy as a whole) and fund financial statements (reporting the Academy's major funds). The Academy–wide financial statements categorize all non-fiduciary activities as governmental activities.

The statement of net position presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The Academy's net position is reported in two parts (1) net investment in capital assets, and (2) unrestricted net position.

The statement of activities reports both the gross and net cost of each of the Academy's functions. The functions are also supported by general government revenues (certain intergovernmental revenues). The statement of activities reduces gross expenses, including depreciation by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (state sources and federal sources, interest income, etc.). The Academy does not allocate indirect costs.

The Academy-wide focus is on the sustainability of the Academy as an entity and the change in the Academy's net position resulting from current year activities.

Fund Financial Statements

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the Academy-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Academy considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences are recorded only when payment is due.

Unrestricted state aid, restricted state aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

Fiduciary fund statements also are reported using the economic resources measurement focus and the accrual basis of accounting.

The Academy reports the following major governmental fund:

General Fund – The General Fund is used to record the general operations of the Academy pertaining to education and those operations not required to be provided for in other funds.

Additionally, the Academy reports the following fund type:

Fiduciary Fund – Fiduciary Fund is used to account for assets held by the Academy in a trustee capacity or as an agent. The Agency Fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations. This fund is used to record the transactions of student groups for school and school-related purposes.

Assets, Liabilities and Equity

Cash – Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

Receivables – All trade receivables are shown net of an allowance for uncollectible amounts. The Academy considers all accounts receivable to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

Prepaid Items – Certain payments to vendors reflect costs applicable to future fiscal years. For such payments in the governmental funds the Academy follows the consumption method, and they therefore are capitalized as prepaid items in both district-wide and fund financial statements.

Capital Assets – Purchased or constructed capital assets are reported at historical cost. Donated capital assets are recorded at their acquisition value at the date of donation. The Academy defines capital assets as assets with an initial individual cost in excess of $500 and an estimated useful life in excess of one year. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The Academy does not have infrastructure assets. Equipment and furniture are depreciated using the straight-line method over a five year useful life.

Deferred outflows of resources – A deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period. For Academy-wide financial statements, the Academy reports deferred outflows of resources as a result of pension earnings. This amount is the result of a difference between what the plan expected to earn from plan investments and what is actually earned. This amount will be amortized over the next four years and included in pension expense. Changes in assumptions relating to the net pension liability are deferred and amortized over the expected remaining services lives of the employees and retirees in the plan. The Academy also reported deferred outflows of resources for pension contributions made after the measurement date. This amount will reduce net pension liability in the following year.

Compensated Absences – The Academy has recorded all liabilities associated with compensated absences. The liability for compensated absences reported in the Academy-wide statements consists of sick leave benefits. A liability for these amounts is reported in the governmental funds as it comes due for payment using the vested method.

Pension – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Michigan Public School Employees Retirement System (MPSERS) and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred inflows of resources – A deferred inflow of resources is an acquisition of net position by the government that is applicable to a future reporting period. For governmental funds this includes unavailable revenue in connection with receivables for revenues that are not considered available to liquidate liabilities of the current period.

For Academy-wide financial statements, the Academy reports deferred inflows of resources as a result of pension earnings. This amount is the result of a difference between what the plan expected to earn from the plan investments and what the plan actually earned. This amount will be amortized over the next four years and included in pension expense. Changes in assumptions relating to the net pension liability are deferred and amortized over the expected remaining services lives of the employees and retirees in the plan. Deferred inflows of resources also includes revenue received relating to the amounts included in the deferred outflows for payments related to MPSERS Unfunded Actuarial Accrued Liabilities (UAAL) Stabilization defined benefit pension statutorily required contributions.

Fund Equity – In the fund financial statements, governmental funds report fund balance in the following categories:

Non-spendable – amounts that are not available in a spendable form.

Restricted – amounts that are legally imposed or otherwise required by external parties to be used for a specific purpose.

Committed – amounts that have been formally set aside by the Board of Education for specific purposes. A fund balance commitment may be established, modified, or rescinded by a resolution of the Board of Education.

Assigned – amounts intended to be used for specific purposes, as determined by the board of directors. Residual amounts in governmental funds other than the general fund are automatically assigned by their nature. $ 1,000,000 is assigned for the support and development of the Academy.

Unassigned – all other resources; the remaining fund balances after non-spendable, restrictions, commitments and assignments.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Academy's policy is to consider restricted funds spent first.

When an expenditure is incurred for purposes for which committed, assigned, or unassigned amounts could be used, the Academy's policy is to consider the funds to be spent in the following order: (1) committed, (2) assigned, (3) unassigned.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, as well as deferred inflows and deferred outflows of resources at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

Upcoming Accounting and Reporting Changes

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined OPEB plans, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee services. It also requires additional note disclosures and required supplementary information. Statement No. 75 is effective for the fiscal year ending June 30, 2018.

Statement No. 81, *Irrevocable Split-Interest Agreements.* The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. Statement No. 81 is effective for the fiscal year ending June 30, 2018.

Statement No. 83, *Certain Asset Retirement Obligations* establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. The requirements of this Statement are effective for the fiscal year ending June 30, 2019.

Statement No. 84, *Fiduciary Activities* improves the guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The focus of the criteria includes the following: (1) is the government controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The four fiduciary funds that should be reported, if applicable are: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally will report fiduciary activities that are not held in a trust or similar arrangement that meets specific criteria. The requirements of this Statement are effective for the fiscal year ending June 30, 2020.

Statement No. 85, *Omnibus 2017* addresses practice issues that were identified during implementation and application of certain GASB Statements. This statement covers issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits), which is effective for the fiscal year ending June 30, 2018.

Statement No. 86, *Certain Debt Extinguishment Issues* is to improve consistency in accounting and financial reporting for in-substance defeasance of debt. The statement provides uniform guidance for derecognizing debt that is defeased in substance, regardless of how cash and other monetary assets placed in an irremovable trust for the purpose of extinguishing that debt were acquired. The effective date is for the fiscal year ending June 30, 2018.

The Academy is evaluating the impact that the above pronouncements will have on its financial reporting.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with US GAAP and state law for the general fund. All annual appropriations lapse at fiscal year-end, and thereby canceling all encumbrances. These appropriations are reestablished at the beginning of the fiscal year.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. State law requires the Academy to have its budget in place by July 1. The Academy is not considered in violation of the law if reasonable procedures are in use by the Academy to detect violations.

Budgeted amounts are as originally adopted or as amended by the Board of Directors throughout the year. Individual amendments were not material in relation to the original appropriations.

Excess of Expenditures over Appropriations

The Academy did not have significant expenditures budget variances.

Academy-Wide Deficits

The Academy has an unrestricted net position deficit for Academy-Wide activities in the amount of $428,632 as of June 30, 2017. There are no governmental funds with a deficit.

Note 3 - Deposits

The Academy's deposits were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Funds	Total Primary Government
Cash	$ 1,453,127	$ 11,845	$ 1,464,972
Certificates of deposit	506,514	-	506,514
	$ 1,959,641	$ 11,845	$ 1,971,486

Interest rate risk – In accordance with its investment policy, the Academy manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the Academy's cash requirements.

Credit risk – State statutes and the Academy's investment policy authorize the Academy to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan; the Academy is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles.

Concentration of credit risk – The Academy's investment policy requires diversification so the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk – deposits – In the case of deposits, this is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. As of year-end, $1,225,034 of the Academy's bank balance of $1,981,548 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Note 4 - Capital Assets

A summary of the changes in governmental capital assets is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets being depreciated				
Equipment and furniture	$ 177,754	$ -	$ -	$ 177,754
Less accumulated depreciation for				
Equipment and furniture	155,800	7,228	-	163,028
Net capital assets	$ 21,954			$ 14,726

Depreciation expense was not charged to activities as the Academy considers its assets to impact multiple activities and allocation is not practical.

Note 5 - Long-Term Debt

Compensated Absences

Accrued compensated absences at year-end consist of sick time earned and vested. The entire vested amount is considered long-term as the amount expended each year is expected to be offset by sick time earned for the year.

Long-term obligation activity is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Compensated absences	$ 13,665	$ 1,095	$ -	$ 14,760

Note 6 - Risk Management

The Academy is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation) and certain medical benefits provided to employees. The Academy has purchased commercial insurance for general liability, property and casualty and health and vision claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in the past three fiscal years.

Note 7 - Pension Plans and Post Employment Benefits

Plan Description
The Michigan Public School Employees' Retirement System (MPSERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State), originally created under Public Act 136 of 1945, recodified, and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. The board consists of twelve members - eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

The System is administered by the Office of Retirement Services (ORS) within the Michigan Department of Technology, Management & Budget. The Department Director appoints the Office Director, with whom the general oversight of the System resides. The State Treasurer serves as the investment officer and custodian for the System.

The System's financial statements are available at www.michigan.gov/mpsers-cafr.

Benefits Provided
Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Depending on the plan option selected, member retirement benefits for DB plan members are determined by final average compensation and years of service, and a pension factor ranging from 1.25 percent to 1.50 percent. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

A DB member or Pension Plus plan member who leaves Michigan public school employment may request a refund of his or her member contributions to the retirement system account. A refund cancels a former member's rights to future benefits. However, returning members who previously received a refund of their contributions may reinstate their service through repayment of the refund upon satisfaction of certain requirements.

Contributions and Funding Status
Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of active and retired members. Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2016 valuation will be amortized over a 20 year period for the plan's 2016 fiscal year. The schedule below summarizes pension contribution rates in effect for fiscal year 2016.

Pension Contribution Rates

Benefit Structure	Member	Employer
Basic	0.0 - 4.0%	18.95%
Member Investment Plan	3.0 - 7.0	18.95%
Pension Plus	3.0 - 6.4	17.73%
Defined Contribution	0.0	14.56%

Required contributions to the pension plan from the Academy were $344,904 for the year ending September 30, 2016.

Net Pension Liability
At June 30, 2017, the Academy reported a liability of $3,832,052 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2015. The Academy's proportionate share of the net pension liability was based on statutorily required contributions in relation to all employers' statutorily required contributions for the measurement period. At September 30, 2016, the Academy's proportionate share percent was 0.0154 percent, which was an increase of 0.0017 percent since the prior measurement date.

Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions
For the year ended June 30, 2017, the Academy recognized total pension expense of $ 253,041. The Academy's actual contributions for the years ended June 30, 2017, 2016, and 2015 were approximately $253,000, $255,700, and $252,600, respectively.

At June 30, 2017, the Academy reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Amount to Amortize
Differences between expected and actual experience	$ 47,757	$ (9,082)	$ 38,675
Changes of assumptions	59,911	-	59,911
Net difference between projected and actual earnings on pension plan investments	63,689	-	63,689
Changes in proportion and differences between Reporting Unit contributions and proportionate share of contributions	620,139	(2,365)	617,774
Employer contributions subsequent to the measurement date	336,711	(125,719)	-
	$ 1,128,207	$ (137,166)	$ 780,049

$336,711 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. $125,719 reported as deferred inflows of resources relating to pensions resulting from employer contributions subsequent to the measurement date are 147c revenues received that will be recognized in the year ended June 30, 2018 when the related payments reduce the net pension liability.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Plan Year Ending September 30	Amount
2017	$ 228,726
2018	223,718
2019	258,789
2020	68,816
Total	$ 780,049

Actuarial Assumptions
Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions:

- Valuation Date: September 30, 2015
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 3.5%
- Investment Rate of returns:
  - MIP and Basic Plans (Non-Hybrid): 8.0%
  - Pension Plus Plan (Hybrid): 7.0%
- Projected Salary Increases: 3.5-12.3%, including wage inflation at 3.5%
- Cost-of-Living Pension Adjustments: 3% Annual Non-Compounded for MIP Members
- Healthcare Cost Trend Rate: 7.5% Year 1 graded to 3.5% Year 12
- Mortality: RP-2000 Combined Healthy Life Mortality Table, adjusted for mortality improvements to 2020 using projection scale AA (for men, 140% of the table rates for ages 0-79, 133% of the table rates for ages 80-84, and 121.8% of the table rates for ages over 84 were used and for women, 96% of the table rates were used).

Assumption changes as a result of an experience study for the periods 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total pension liability as of September 30, 2016, is based on the results of an actuarial valuation date of September 30, 2015, and rolled forward using generally accepted actuarial procedures, including the experience study. The recognition period for liabilities is the average of the expected remaining service lives of all employees in years: (4.6273 for non-university employers). The recognition period for assets in years is 5.0000. Full actuarial assumptions are available in the 2016 MPSERS Comprehensive Annual Financial Report (CAFR) (www.michigan.gov/mpsers-cafr).

Long-Term Expected Return on Plan Assets
The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2016, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.0%	5.9
Alternative Investment Pools	18.0%	9.2
International Equity	16.0%	7.2
Fixed Income Pools	10.5%	0.9
Real Estate and Infrastructure Pools	10.0%	4.3
Absolute Return Pools	15.5%	6.0
Short Term Investment Pools	2.0%	0.0
	100.0%	

*Long term rate of return does not include 2.1% inflation

Discount Rate
A discount rate of 8.0% was used to measure the total pension liability (7.0% for the Pension Plus plan, a hybrid plan). This discount rate was based on the long- term expected rate of return on pension plan investments of 8.0% (7.0% for the Pension Plus plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially-determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Academy's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate
The following presents the Academy's proportionate share of the net pension liability, calculated using a discount rate of 8.0% (7.0% for the Hybrid Plan), as well as what the Academy's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher:

1% Decrease (Non-Hybrid/Hybrid)* 7.0% / 6.0%	Current Single Discount Rate Assumption (Non-Hybrid/Hybrid)* 8.0% / 7.0%	1% Increase (Non-Hybrid/Hybrid)* 9.0% / 8.0%
$ 4,934,719	$ 3,832,052	$ 2,902,398

*Non-university employers, the Basic plan and the Member Investment Plan (MIP) are non-hybrid plans. Pension Plus is a hybrid plan, with a defined benefit (pension) component and a defined contribution (DC) component.

Fiduciary Net Position
Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS CAFR. See the 2016 MPSERS CAFR (www.michigan.gov/mpsers-cafr).

Payables to the Pension Plan
There were no significant payables to the pension plan that are not ordinary accruals to the Academy.

Post-Employment Benefits
In addition to the pension benefits described above, state law requires the Academy to provide post-employment healthcare benefits for eligible retirees and beneficiaries through the Michigan Public School Employees Retirement System (MPSERS).

The 2012 Retirement Reform included changes to retiree healthcare benefits. New employees hired after the effective date who elect this benefit are enrolled in the defined contribution Personal Healthcare Fund. This establishes a portable tax-deferred account in which the participant contributes up to 2% of their salary, and receives up to a 2% employer match. These funds can be used to pay for healthcare expenses in retirement.

Employees working prior to the enactment of the 2012 Retirement Reform have two options: (a) the Personal Healthcare Fund, or (b) the defined benefit Premium Subsidy benefit.

Employees electing the defined benefit Premium Subsidy benefit contribute 3% of their compensation, and the employer contributes an actuarially determined percent of payroll for all participants. Upon retirement members receive a premium subsidy towards health, dental and vision insurance. The subsidy is a percent of the premium cost, with the percentage varying based on several factors.

For the periods July 1, 2016 through September 30, 2016, and October 1, 2016 through June 30, 2017, the employer contribution rate ranged from 6.40% to 6.83% and 5.69% to 5.91%, respectively.

The Academy's actual contributions match the required contributions for the years ended June 30, 2017, 2016, and 2015 and were approximately $95,900, $88,700, and $70,320, respectively.

Unfunded Accrued Liability

During the year ending June 30, 2017, the Academy had contributions in the amount of $172,501 to the MPSERS. This amount represents the additional employer contributions attributed to the unfunded accrued actuarial liability (UAAL) rate, which was approximately 11.70% for the year ending June 30, 2017.

Note 8 - Contingent Liabilities

Amounts received or receivable from grantor agencies are subjected to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of costs which may be disallowed by the grantor cannot be determined at this time, although the Academy expects such amounts, if any, to be immaterial.

Note 9 - Related Party Transactions

The Washtenaw Community College board of trustees (WCC) is the chartering body for the Academy. As such, WCC also acts as the fiscal agent for the Academy and has oversight responsibilities for the Academy. The Academy has entered into several contractual agreements with WCC which are renewed annually, including the following:

Facility Use License Agreement

Under this agreement, WCC granted the Academy a license to use space located on the WCC campus through June 30, 2017 . For the year ended June 30, 2017, a license fee of $ 75,000 was paid by the Academy to WCC.

Administrative and Educational Support Services Agreement

Under this agreement, effective through June 30, 2017, WCC agrees to provide the Academy with purchasing services, computer services, promotional services, security services, receiving and mail services. In addition, as part of this agreement, WCC agrees to provide limited student counseling, career counseling, and library services. For the year ended June 30, 2017, the Academy paid WCC $ 75,000 under this agreement.

The Academy also incurred $158,037 of administrative fees to WCC, which was 3% of State Aid received. At June 30, 2017, $28,967 of administrative fees were owed to WCC.

Joint Enrollment Agreement

Under this agreement, Academy students may be jointly enrolled in both the Academy and WCC. The Academy pays all WCC tuition and fees for students enrolled at WCC. Total expenditures to WCC under this agreement were $ 1,441,729 for the year ended June 30, 2017.

REQUIRED SUPPLEMENTARY INFORMATION

Washtenaw Technical Middle College
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2017

	Budgeted Amounts			Over
	Original	Final	Actual	(Under) Budget
Revenues				
Local sources	$ 1,700	$ 2,208	$ 1,832	$ (376)
State sources	4,903,244	5,226,290	5,242,984	16,694
Interdistrict sources	31,587	59,000	59,677	677
Total revenues	4,936,531	5,287,498	5,304,493	16,995
Expenditures				
Instruction				
Basic programs	3,486,214	3,573,317	3,415,451	(157,866)
Added needs	135,170	142,968	141,552	(1,416)
Supporting services				
Pupil	221,070	212,486	205,163	(7,323)
Instructional staff	25,600	25,700	4,301	(21,399)
General administration	23,800	18,925	15,109	(3,816)
School administration	548,030	556,133	511,871	(44,262)
Business	239,177	260,700	254,968	(5,732)
Operations and maintenance	90,000	90,734	90,734	-
Pupil transportation services	3,000	2,000	1,326	(674)
Central services	144,470	150,161	147,077	(3,084)
Capital outlay	20,000	20,000	4,334	(15,666)
Total expenditures	4,936,531	5,053,124	4,791,886	(261,238)
Excess of revenues over expenditures	-	234,374	512,607	278,233
Fund balance - beginning	1,914,532	1,914,532	1,914,532	-
Fund balance - ending	$ 1,914,532	$ 2,148,906	$ 2,427,139	$ 278,233

Washtenaw Technical Middle College

Required Supplementary Information

Schedule of the Academy's Proportionate Share of the Net Pension Liability

Michigan Public School Employees Retirement Plan

Last 10 Fiscal Years (Measurement Date September 30th)

		2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
A.	Reporting unit's proportion of net pension liability (%)	0.01540%	0.01370%	0.01143%							
B.	Reporting unit's proportionate share of net pension liability	$ 3,832,052	$ 3,338,789	$ 2,517,433							
C.	Reporting unit's covered-employee payroll	$ 1,427,402	$ 1,144,062	$ 978,211							
D.	Reporting unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	268.46%	291.84%	257.35%							
E.	Plan fiduciary net position as a percentage of total pension liability	63.27%	63.17%	66.20%							

Washtenaw Technical Middle College
Required Supplementary Information
Schedule of the Academy's Contributions
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years

		For the Years Ended June 30,									
		2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
A.	Statutorily required contributions	$ 253,041	$ 255,686	252,611							
B.	Contributions in relation to statutorily required contributions	253,041	255,686	252,611							
C.	Contribution deficiency (excess)	$ -	$ -	$ -							
D.	Reporting unit's covered-employee payroll	$ 1,434,072	$ 1,373,420	$ 1,128,337							
E.	Contributions as a percentage of covered-employee payroll	17.64%	18.62%	22.39%							

Notes:

Benefit Changes - There were no changes of benefit terms in 2017.

Changes in Assumptions - There were no changes of benefits assumptions in 2017.

OTHER SUPPLEMENTARY INFORMATION

Washtenaw Technical Middle College
Other Supplementary Information
General Fund
Comparative Balance Sheet
June 30, 2017

	2017	2016
Assets		
Cash	$ 1,453,127	$ 1,072,625
Accounts receivable	14,782	15,134
Due from other governmental units	965,554	830,384
Interest receivable	-	382
Certificates of deposit	506,514	505,003
Prepaid items	2,980	2,704
Total assets	$ 2,942,957	$ 2,426,232
Liabilities and Fund Balance		
Liabilities		
Accounts payable	$ 266,834	$ 281,449
Accrued expenditures	83,742	69,721
Accrued salaries payable	158,659	152,212
Unearned revenue	6,583	8,318
Total liabilities	515,818	511,700
Fund Balance		
Non-spendable		
Prepaid items	2,980	2,704
Assigned - academy development	1,000,000	1,000,000
Unassigned	1,424,159	911,828
Total fund balance	2,427,139	1,914,532
Total liabilities and fund balance	$ 2,942,957	$ 2,426,232

Washtenaw Technical Middle College
Other Supplementary Information
General Fund
Schedule of Revenues Compared to Budget
For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Revenue from local sources				
Earnings on investments	$ 1,700	$ 1,683	$ 1,307	$ (376)
Other local revenues	-	525	525	-
Total revenues from local sources	1,700	2,208	1,832	(376)
Revenues from state sources				
Grants - unrestricted	4,656,820	4,925,188	4,942,968	17,780
Grants - restricted	246,424	301,102	300,016	(1,086)
Total revenues from state sources	4,903,244	5,226,290	5,242,984	16,694
Interdistrict sources				
ISD collected millage (Act 18 funds)	31,587	59,000	59,677	677
Total revenue	$ 4,936,531	$ 5,287,498	$ 5,304,493	$ 16,995

Washtenaw Technical Middle College

Other Supplementary Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Basic program - high school				
Salaries	$ 883,300	$ 863,286	$ 860,182	$ (3,104)
Employee benefits	570,345	525,637	513,553	(12,084)
Purchased services	1,689,934	1,864,700	1,784,677	(80,023)
Supplies and materials	335,635	308,694	252,615	(56,079)
Other	7,000	11,000	4,424	(6,576)
Total high school	3,486,214	3,573,317	3,415,451	(157,866)
Added needs - special education				
Salaries	40,000	41,500	41,500	-
Employee benefits	24,870	30,468	30,102	(366)
Purchased services	70,000	70,000	69,950	(50)
Supplies and materials	300	1,000	-	(1,000)
Total special education	135,170	142,968	141,552	(1,416)
Pupil - guidance services				
Salaries	133,000	129,501	129,500	(1)
Employee benefits	56,570	66,485	65,382	(1,103)
Purchased services	3,000	3,000	-	(3,000)
Other	8,500	8,500	7,530	(970)
Total guidance services	201,070	207,486	202,412	(5,074)
Pupil - teacher consultant				
Purchased services	20,000	5,000	2,751	(2,249)

Washtenaw Technical Middle College
Other Supplementary Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Instructional staff - improvement of education				
Purchased services	25,500	25,000	4,301	(20,699)
Supplies and materials	100	700	-	(700)
Total improvement of education	25,600	25,700	4,301	(21,399)
General administration - board of education				
Purchased services	21,800	17,925	14,308	(3,617)
Supplies and materials	2,000	1,000	801	(199)
Total board of education	23,800	18,925	15,109	(3,816)
School administration - office of the principal				
Salaries	368,000	341,907	333,358	(8,549)
Employee benefits	148,830	165,626	150,765	(14,861)
Purchased services	7,700	14,600	4,402	(10,198)
Supplies and materials	7,000	9,000	8,204	(796)
Other	8,500	9,000	4,219	(4,781)
Total office of the principal	540,030	540,133	500,948	(39,185)
School administration - other				
Supplies and materials	8,000	16,000	7,403	(8,597)

Washtenaw Technical Middle College
Other Supplementary Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Business - fiscal services				
Other	16,227	26,000	21,426	(4,574)
Business - internal services				
Purchased services	500	600	505	(95)
Business - other				
Purchased services	76,100	76,100	75,000	(1,100)
Other - admin fee	146,350	158,000	158,037	37
Total other business	222,450	234,100	233,037	(1,063)
Operations and maintenance - operating building services				
Purchased services	90,000	90,734	90,734	-
Pupil transportation services				
Purchased services	3,000	2,000	1,326	(674)

Washtenaw Technical Middle College
Other Supplementary Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Central - staff/personnel services				
Purchased services	7,500	4,500	2,600	(1,900)
Central - support services technology				
Salaries	95,000	96,501	96,500	(1)
Employee benefits	41,470	47,089	46,267	(822)
Purchased services	500	2,071	1,710	(361)
Total support services technology	136,970	145,661	144,477	(1,184)
Capital outlay				
Basic program - high school	20,000	20,000	4,334	(15,666)
Total expenditures	$ 4,936,531	$ 5,053,124	$ 4,791,886	$ (261,238)

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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*

Independent Auditors' Report

To the Board of Directors
Washtenaw Technical Middle College
Ann Arbor, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Washtenaw Technical Middle College as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Washtenaw Technical Middle College's basic financial statements, and have issued our report thereon dated September 29, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Washtenaw Technical Middle College'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Washtenaw Technical Middle College's internal control. Accordingly, we do not express an opinion on the effectiveness of Washtenaw Technical Middle College'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 Washtenaw Technical Middle College'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.

Yeo & Yeo, P.C.

Lansing, Michigan
September 29, 2017

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September 29, 2017

Management and the Board of Directors
Washtenaw Technical Middle College
Ann Arbor, Michigan

We have completed our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Washtenaw Technical Middle College as of and for the year ended June 30, 2017, and have issued our report dated September 29, 2017. We are required to communicate certain matters to you in accordance with auditing standards generally accepted in the United States of America that are related to internal control and the audit. The first appendix to this letter sets forth those communications as follows:

I. Auditors' Communication of Significant Matters with Those Charged with Governance

In addition, we have identified additional matters that are not required to be communicated but we believe are valuable for management:

II. Matters for Management's Consideration

We discussed these matters with various personnel in the Academy during the audit and have already met with management on September 29, 2017. We would also be pleased to meet with you to discuss these matters at your convenience.

These communications are intended solely for the information and use of management, the Board of Directors, and others within the Academy, and are not intended to be and should not be used by anyone other than those specified parties.

Yeo & Yeo, P.C.

Lansing, Michigan

Appendix I
Auditors' Communication of Significant Matters with Those Charged with Governance

Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America, *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated June 27, 2017. Professional standards also require that we communicate to you the following information related to our audit.

<u>Significant Audit Findings</u>

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Academy are described in Note 1 of the financial statements. We noted no transactions entered into by the Academy during the year where there is lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

- The useful lives of its capital assets. Useful lives are estimated based on the expected length of time during which the asset is able to deliver a given level of service.

- Net pension liability, and related deferred outflows of resources and deferred inflows of resources. The estimate is based on an actuarial report.

We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole and free from bias.

Disclosures in the financial statements are neutral, consistent and clear.

Accounting Standards and Regulatory Updates

<u>Accounting Standards</u>
The Governmental Accounting Standards Board has released the following Statements:

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined OPEB plans, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee services. It also requires additional note disclosures and required supplementary information. Statement No. 75 is effective for the fiscal year ending June 30, 2018.

Statement No. 81, *Irrevocable Split-Interest Agreements.* The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. Statement No. 81 is effective for the fiscal year ending June 30, 2018.

Statement No. 83, *Certain Asset Retirement Obligations* establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. The requirements of this Statement are effective for the fiscal year ending June 30, 2019.

Statement No. 84, *Fiduciary Activities* improves the guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The criteria generally is on (1) is the government controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The four fiduciary funds that should be reported, if applicable are: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally will report fiduciary activities that are not held in a trust or similar arrangement that meets specific criteria. The requirements of this Statement are effective for the fiscal year ending June 30, 2020

Statement No. 85, *Omnibus 2017* addresses practice issues that were identified during implementation and application of certain GASB Statements. This statement covers issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits), which is effective for the fiscal year ending June 30, 2018.

Statement No. 86, *Certain Debt Extinguishment Issues* is to improve consistency in accounting and financial reporting for in-substance defeasance of debt. The statement provides uniform guidance for derecognizing debt that is defeased in substance, regardless of how cash and other monetary assets placed in an irremovable trust for the purpose of extinguishing that debt were acquired. The effective date is for the fiscal year ending June 30, 2018.

The Academy is evaluating the impact the above pronouncements will have on its financial reporting.

Regulatory and Other Updates

Cybersecurity Posture

Cybersecurity posture, an overall measure of cybersecurity strength, is more prevalent than ever as organizations continue to face cybersecurity risks. Billions of emails are sent every day, some of which contain attachments with malicious files or malicious embedded links aimed at negatively impacting unsuspecting organizations. A recent study showed as many as four out of five U.S. companies have suffered from an attack. Not only can a successful attack cost thousands of dollars and put a strain on IT resources while remediation efforts are underway, but sensitive information may be breached.

Risk assessment is a first step in mitigating cybersecurity risks and improving your School District's overall cybersecurity posture. The National Institute of Standards and Technology published *Framework for Improving Critical Infrastructure Cybersecurity*, which "enables organizations, regardless of size, degree of cybersecurity risk, or cybersecurity sophistication, to apply the principles and best practices of risk management to improving the security and resilience of critical infrastructure." The framework is designed to cover five areas including identification, protection, detection, responsiveness and recovery. The publication can be found at www.nist.gov.

Placing significant emphasis on evaluating your School District's cybersecurity posture, and channeling sufficient resources towards proper risk assessment, implementation, and education will reduce the likelihood of a cybersecurity threat, and help lessen the impact of a breach.

Audit and FID Submission Deadline

The deadline to submit the Financial Information Database (FID) and school district financial audits will be November 1st. This will continue to be the deadline for future fiscal years as it is now State Law.

Fiscal Year (FY) 2018 School Aid

The School Aid budget for FY 2018 was not signed until late July. Following are some significant highlights of the bill:

• The per pupil Foundation Grants for FY 2018 will increase by a range of $60 to $120 using the “2X formula.” The increase will be added to the FY 2017 foundation grant resulting in the lowest foundation for FY 2018 being $7,631 and the maximum state guaranteed foundation being $8,289.
• The Pupil Membership Blend will remain at 90% of the current school year October count and 10% of the prior school year February count.
• The Section 31a At-Risk funding is increased by $120,011,800 to $499,000,000. Eligibility is expanded from free lunch eligible pupils to include pupils eligible for reduced price lunch, TANF, SNAP, or migrant, homeless, or pupils in foster care. Hold Harmless and Out of Formula districts are now eligible, but will be capped at 30% of the per pupil allowance. Districts that are currently eligible would receive approximately $777 per pupil and newly eligible districts would receive approximately $233 per pupil.
• The per pupil funding under Sections 20f(2) and 20f(4) will be equal to the per pupil funding under those Sections in 2016-17.
• Section 147c is reduced by approximately $22.0 million to reflect higher rates of return on investments.
• Shared Time Instruction for Nonpublic and Homeschool Pupils Section 23f caps the maximum FTE for which a nonpublic school pupil may be counted in a shared-time program at 0.75 FTE per pupil.

Other changes include:
• A New Section 160 has been added which requires districts seeking a waiver to begin the school year before Labor Day to hold a public hearing with the MDE in the district before the waiver can be granted.
• A New Section 164g has been added which imposes a penalty on any district using State Aid funds to pay expenses related to legal action against the state.
• A New Section 164h has been added to state that there will be a state school aid penalty for a district or ISD that enters into a collective bargaining agreement that fails to comply with requirements including prohibitions on the automatic deduction of union dues from payroll and racial or religious preferences in hiring.

Early Warning

Pursuant to Public Act 109 of 2015, each school district and public school academy that has a General Fund balance less than 5% of total unrestricted general revenue for either of the 2014-2015 or 2015-2016 school fiscal years is required to submit budget assumptions to the Center for Educational Performance and Information (CEPI). The budget assumption data collection period begins June 1, 2017 and is open through July 7, 2017. The Department of Treasury will not declare potential fiscal stress based solely on a school district’s or public school academy’s budget assumption data.

Uniform Budgeting and Accounting Act (UBAA)

The UBAA establishes budget and accounting requirements for local governments and school districts, including public school academies. It also establishes oversight requirements for MDE as well as the Michigan Attorney General. Material violations of the UBAA, including but not limited to General Fund deficits, should be reported as financial statement findings in the audit report. UBAA states that if it becomes apparent during the year that the probable revenues will be less than the budgeted revenues, the fiscal officer shall present recommendations to the legislative body which, if fiscal adopted, would prevent expenditures from exceeding available revenues for the fiscal year. UBAA states that an officer of the School District shall not incur expenditures against an appropriation account in excess of the amount appropriated by the board. Noncompliance includes, but is not limited to, over-expending the budget authorized by the board. MDE is analyzing the General Fund only, and at the total revenues, expenditures and financing sources (uses) levels, rather than at the line item level. MDE has stated a 0% tolerance for UBAA noncompliance.

Unclaimed Property
Beginning in 2018, the State of Michigan will require the filing of zero balance reports for businesses and governmental agencies who hold property on behalf of others, such as uncashed payroll or vendor checks and other items comprising unclaimed property. This is a revision from the most recent change in 2012, which only encouraged, but did not require, reporting of zero unclaimed property situations. Under the negative attestation requirement, businesses and governmental agencies must ensure they are filing even in situations where entities have no unclaimed property.

Current rules require unclaimed property to be identified as of March 31st of each year and reported to the State on or before July 1. Property that has reached its applicable dormancy period (generally one year or three years) as of March 31 must be remitted with and reported on Michigan State Form 2011, *Michigan Holder Transmittal for Annual Report of Unclaimed Property* and the appropriate annual reporting form (there are separate forms for cash & safe deposit boxes and for securities). If the holder (business or government entity) has more than ten items to report, they must use electronic media for the annual report. The due date for this filing is July 1 (or the next work day if the 1st is on a weekend).

These rules remain unchanged, except that beginning in 2018, the negative attestation requirement will go into effect. Free software is available on the State of Michigan web site at http://www.michigan.gov/treasury/. The web site is a valuable resource for information regarding the law, filing requirements and related penalties, including the 33 page *Manual for Reporting Unclaimed Property*.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require that the auditor accumulate all known and likely misstatements identified during the audit, other than those the auditor believes to be trivial, and communicate them to the appropriate level of management. There were no misstatements detected as a result of audit procedures that were more than trivial.

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 auditors' report. We are pleased to report we had no disagreements with management during the audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated as of the date of the audit report.

Management's Consultations with Other Accountants

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

Other Audit Findings or Issues

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

Other Reports

Other information that is required to be reported to you is included in the: 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*. Please read all information included in that report to ensure you are aware of relevant information.

Report on Required Supplementary Information

With respect to the required supplementary information accompanying the financial statements, which includes management's discussion and analysis, schedule of the academy's proportionate share of net pension liability, schedule of the school academy's contributions, and budgetary comparison information, we 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 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.

Report on Other Supplementary Information

With respect to the other supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Appendix II
Matters for Management's Consideration

In planning and performing our audit of the financial statements of Washtenaw Technical Middle College as of and for the year ended June 30, 2017, we considered Washtenaw Technical Middle College's internal control over financial reporting (internal control) as a basis for designing our audit 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.

However, during our audit we became aware of a matter for management's consideration that is an opportunity for strengthening internal controls. This letter does not affect our report dated September 29, 2017, on the financial statements of Washtenaw Technical Middle College. Our comments and recommendations regarding that matter are:

Outstanding Checks and ACH Policies
We have previously recommended the Board create policies regarding outstanding checks and electronic transfer of funds. During the current audit, it was mentioned that the Board started to discuss these policies but nothing official was completed. We still recommended the Board continue the process to create theses new policies.