

Voyageur Academy

Detroit, Michigan

Audited Financial Statements

June 30, 2014

CROSKEY LANNI, PC
CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Voyageur Academy

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Voyageur Academy, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are the 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 opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities, each major fund, and the aggregate remaining fund information of Voyageur Academy, as of June 30, 2014, 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 and budgetary comparison information on pages iv – viii and 20 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 provided 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 Voyageur Academy's basic financial statements. The introductory section, combining and individual non-major fund financial statements and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual non-major fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements, and schedule of expenditures of federal wards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2014, on our consideration of Voyageur Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Voyageur Academy's internal control over financial reporting and compliance.



Croskey Lanni, PC

October 21, 2014
Rochester, Michigan

This section of the Voyageur Academy annual financial report presents our discussion and analysis of the Academy's financial performance during the year ended June 30, 2014. 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 Voyageur Academy financially as a whole. The Academy-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 Academy-wide financial statements by providing information about the Academy's most significant funds - the General Fund, with all other funds presented in one column as non-major funds.

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

Basic Financial Statements

Academy-wide Financial Statements *Fund Financial Statements*

Notes to the Basic Financial Statements

(Required Supplemental Information)
Budgetary Information for Major Funds

Other Supplemental Information

Reporting the Academy as a Whole - Academy-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 position 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 - as 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 non-financial factors, such as the quality of the education provided and the safety of the schools, 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, support services, community services, athletics, and food services. Unrestricted state aid (foundation allowance revenue), and state and federal grants finance most of these activities.

Reporting the Academy's Most Significant Funds - Fund Financial Statements

The Academy's fund financial statements provide detailed information about the most significant funds - not the Academy as a whole. Some funds are required to be established by State law and by bond covenants. However, the Academy establishes many other funds to help it control and manage money for particular purposes (the Food Service and Athletics Funds are examples) or to show that it is meeting legal responsibilities for using grants and other money. The governmental funds of the Academy use the following accounting approach:

Governmental funds - All of the Academy's services are reported in governmental funds. 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 governmental funds in a reconciliation.

The Academy as a Whole

Recall that the statement of net position provides the perspective of the Academy as a whole. Following is a summary of the Academy's net position as of June 30, 2014 and June 30, 2013.

Voyageur Academy's Net position

	<u>2013</u>	<u>2014</u>
Current and other assets	\$ 4,763,428	\$ 5,131,980
Capital assets	<u>15,297,872</u>	<u>14,715,580</u>
Total assets	<u>20,061,300</u>	<u>19,847,560</u>
Other liabilities	1,379,607	1,481,697
Long term debt	18,020,492	17,820,123
Deferred inflows	<u>-</u>	<u>-</u>
Total liabilities	<u>19,400,099</u>	<u>19,301,820</u>
Net position	<u>\$ 661,201</u>	<u>\$ 545,740</u>

The above analysis focuses on the net position. The change in net position (see Statement of Activities schedule) of the Academy's governmental activities is discussed below. The Academy's total net position was \$545,740 at June 30, 2014. Capital assets totaling (\$3,319,449) compares the original cost, less depreciation of the Academy's capital assets to long-term debt used to finance the acquisition of those assets. The Academy has outstanding long-term debt. Restricted net position are reported separately to show legal constraints from debt covenants and enabling legislation that limit the Academy's ability to use those net position for day-to-day operations. The Academy has restricted net position for debt services and capital projects.

The \$1,189,716 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. The operating results of the General Fund will have a significant impact on the change in unrestricted net position from year to year.

The results of this year's operations for the Academy as a whole are reported in the statement of activities, which shows the changes in net position for fiscal year 2014 and 2013.

Revenues:	<u>2013</u>	<u>2014</u>
Program revenues:		
Charges for services	\$ 5,151	\$ 746
Federal and state operating grants	1,804,092	1,669,917
General revenues:		
State aid - unrestricted	7,123,100	8,238,459
Interest	-	-
Miscellaneous	135,043	48,189
Total revenues	<u>9,067,386</u>	<u>9,957,311</u>
Expenses:		
Instruction	3,677,701	3,346,255
Support services	4,640,424	4,634,514
Unallocated depreciation	580,337	647,129
Unallocated interest	1,472,524	1,444,874
Total expenses	<u>10,370,986</u>	<u>10,072,772</u>
Increase (decrease) in net position	<u>\$ (1,303,600)</u>	<u>\$ (115,461)</u>

As reported in the statement of activities, the cost of all of our governmental activities this year was \$10,072,772. Certain activities were partially funded by other governments and organizations that subsidized certain programs with grants and contributions (\$1,669,917). We paid for the remaining “public benefit” portion of our governmental activities with \$8,238,459 in state foundation allowance, and with our other revenues, i.e., interest and general entitlements.

The Academy experienced a decrease in net position of \$115,461. The key reason for the change in net position was the increase in expenses relative to revenue received.

As discussed above, the net cost shows the financial burden that was placed on the State 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 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 governmental funds reported a fund balance in the general fund of \$1,842,980, which is an increase of \$241,256 from last year.

General Fund balance is available to fund costs related to allowable school operating purposes.

General Fund Budgetary Highlights

Over the course of the year, the Academy revises its budget as it 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. A schedule showing the Academy’s original and final budget amounts compared with amounts actually paid and received is provided in the required supplemental information of these financial statements.

There were significant revisions made to the 2013-2014 General Fund original budget. Budgeted revenues were increased \$37,310 due to a small increase in enrollment from what was originally budgeted.

Budgeted expenditures were decreased \$273,707 to account mainly for a decrease in salaries and purchased professional services resulting from the Academy’s revised operating plan. The amount of transfers to other funds established in the amended budget was \$1,697,826 and represents support provided by the General Fund to other functions.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2014, the Academy had \$14,715,580 invested in a broad range of capital assets, including land, construction in process, building improvements and furniture and equipment. This year’s additions of \$64,837 consisted mainly of building and furniture and equipment.

There are no major capital projects planned for the 2014-2015 fiscal year. We anticipate capital additions will be significantly less than the 2012-2013 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 elected officials and administration consider many factors when setting the Academy's 2015 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 2014 budget was adopted in June 2014, based on an estimate of students that will be enrolled in October 2014. Approximately 80 percent of total General Fund revenue is from the foundation allowance. As a result, Academy funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2015 school year, we anticipate that the fall student count will be less than estimates used in creating the 2014 budget. Once the final student count 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. Going forward, the Academy will look to try to renegotiate its facility bond debt structure. This will assist the Academy with its bond debt payments, so the Academy can focus more resources toward educational and operational needs.

Since the Academy's revenue is heavily 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 appropriation to academies. The State periodically holds a revenue-estimating conference to estimate revenues. Based on the results of the most recent conference, the State estimates funds are sufficient to fund the appropriation.

VOYAGEUR ACADEMY

STATEMENT OF NET POSITION
JUNE 30, 2014
See Independent Auditor's Report

ASSETS AND DEFERRED OUTFLOWS

Current Assets

Cash and cash equivalents	\$ 704,836
Investments - restricted for debt service and capital projects	2,675,473
Accounts receivable	9,434
Deposits	5,000
Due from other governmental units	1,737,237
Total current assets	5,131,980

Capital Assets - Net of Accumulated depreciation

14,715,580

Total assets and deferred outflows

\$ 19,847,560

LIABILITIES, DEFERRED INFLOWS AND NET POSITION

Current Liabilities

Accounts payable	\$ 165,467
Notes payable	179,948
Due to agency fund	2,221
Due to other governmental units	23,577
Unearned revenue	141,657
Other accrued expenses	753,921
Long-term debt - current portion	214,906
Total current liabilities	1,481,697

Long-Term Debt - Long-Term Portion

17,820,123

Net Position

Net investment in capital assets	(3,319,449)
Restricted for debt services and capital projects	2,675,473
Unrestricted	1,189,716
Total net position	545,740
Total liabilities, deferred inflows and net position	\$ 19,847,560

See accompanying notes to financial statements

VOYAGEUR ACADEMY

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014
See Independent Auditor's Report

		Program Revenues		Net (Expense) Revenues and Changes in Net Assets Government Type Activities
	Expenses	Charges for Services	Operating Grants	
Functions				
Instruction				
Basic programs	\$ 2,391,500	\$ -	\$ -	\$ (2,391,500)
Added needs	954,755	-	954,755	-
Support services				
Pupil support services	374,017	-	319,757	(54,260)
Instructional staff support services	485,908	-	-	(485,908)
General administration	891,050	-	-	(891,050)
School administration	532,268	-	-	(532,268)
Business support services	264,262	-	-	(264,262)
Operations and maintenance	1,155,818	-	-	(1,155,818)
Pupil transportation services	171,709	-	-	(171,709)
Central support services	238,189	-	-	(238,189)
Athletic activities	70,075	-	-	(70,075)
Food services	449,315	-	393,502	(55,813)
Community services	1,903	-	1,903	-
Unallocated depreciation	647,129	-	-	(647,129)
Unallocated interest	1,444,874	746	-	(1,444,128)
Total primary government	\$ 10,072,772	\$ 746	\$ 1,669,917	(8,402,109)
General Purpose Revenues				
State school aid - unrestricted				8,238,459
Miscellaneous revenues				48,189
Total general purpose revenues				8,286,648
Change in net position				(115,461)
Net position - July 1, 2013				661,201
Net position - June 30, 2014				\$ 545,740

See accompanying notes to financial statements

VOYAGEUR ACADEMY

COMBINED BALANCE SHEET – ALL GOVERNMENTAL FUNDS

JUNE 30, 2014

See Independent Auditor's Report

	ASSETS			Total
	General	Debt Service	Non-Major Capital Projects	
Cash and cash equivalents	\$ 704,836	\$ -	\$ -	\$ 704,836
Investments	-	2,588,061	87,412	2,675,473
Accounts receivable	9,434	-	-	9,434
Deposits	5,000	-	-	5,000
Due from other governmental units	1,737,237	-	-	1,737,237
Total assets	\$ 2,456,507	\$ 2,588,061	\$ 87,412	\$ 5,131,980

LIABILITIES AND FUND BALANCE

Liabilities

Accounts payable	\$ 165,467	\$ -	\$ -	\$ 165,467
Notes payable	179,948	-	-	179,948
Due to agency funds	2,221	-	-	2,221
Due to other governmental units	23,577	-	-	23,577
Unearned revenue	141,657	-	-	141,657
Other accrued expenses	100,657	-	-	100,657
Total liabilities	613,527	-	-	613,527

Fund Balance

Nonspendable	5,000	-	-	5,000
Restricted	-	2,588,061	87,412	2,675,473
Unassigned	1,837,980	-	-	1,837,980
Total fund balance	1,842,980	2,588,061	87,412	4,518,453
Total liabilities and fund balance	\$ 2,456,507	\$ 2,588,061	\$ 87,412	\$ 5,131,980

See accompanying notes to financial statements

VOYAGEUR ACADEMY

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET POSITION OF GOVERNMENTAL ACTIVITIES

JUNE 30, 2014

See Independent Auditor's Report

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

Total Governmental Fund Balances	\$ 4,518,453
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$16,452,031 and the accumulated depreciation is \$1,736,451.	14,715,580
Interest is not payable until due in governmental activities and, therefore, is not recorded in the funds.	(653,264)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(18,035,029)</u>
Net Position of Governmental Activities	<u><u>\$ 545,740</u></u>

See accompanying notes to financial statements



VOYAGEUR ACADEMY

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE – ALL GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014
See Independent Auditor’s Report

	General	Debt Service	Non-Major	Total
Revenues				
Local sources	\$ 48,384	\$ 525	\$ 26	\$ 48,935
State sources	8,717,343	-	15,314	8,732,657
Federal sources	782,302	-	378,188	1,160,490
Interdistrict sources	15,229	-	-	15,229
Total governmental fund revenues	9,563,258	525	393,528	9,957,311
Expenditures				
Instruction				
Basic programs	2,391,500	-	-	2,391,500
Added needs	954,755	-	-	954,755
Support services				
Pupil support services	374,017	-	-	374,017
Instructional staff support services	485,908	-	-	485,908
General administration	891,050	-	-	891,050
School administration	532,268	-	-	532,268
Business support services	253,548	10,714	-	264,262
Operations and maintenance	1,155,818	-	-	1,155,818
Pupil transportation services	171,709	-	-	171,709
Central support services	238,189	-	-	238,189
Athletic activities	70,075	-	-	70,075
Food services	-	-	449,315	449,315
Community services	1,903	-	-	1,903
Facilities acquisition	16,620	-	-	16,620
Capital outlay	48,217	-	-	48,217
Debt principal and interest	38,599	1,413,613	-	1,452,212
Total governmental fund expenditures	7,624,176	1,424,327	449,315	9,497,818
Excess (deficiency) of revenues over expenditures	1,939,082	(1,423,802)	(55,787)	459,493
Other Financing Sources (Uses)				
Operating transfers in	-	1,614,509	83,317	1,697,826
Operating transfers out	(1,697,826)	-	-	(1,697,826)
Total other financing sources (uses)	(1,697,826)	1,614,509	83,317	-
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	241,256	190,707	27,530	459,493
Fund balance - July 1, 2013	1,601,724	2,397,354	59,882	4,058,960
Fund balance - June 30, 2014	\$ 1,842,980	\$ 2,588,061	\$ 87,412	\$ 4,518,453

See accompanying notes to financial statements

VOYAGEUR ACADEMY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014
See Independent Auditor's Report

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

Net Change in Fund Balances - Total Governmental Funds	\$	459,493
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation and amortization expense. This is the amount by which capital outlays exceeded depreciation and amortization in the current period

Capital outlay	\$	64,837	
Depreciation and amortization expense		<u>(647,129)</u>	(582,292)

The governmental funds report loan proceeds as an other financing source, while repayment of loan principal is reported as an expenditure. Interest is recognized as an expenditure in the governmental funds when it is due. Bond discount is amortized in the Statement of Activities over the life of the loan. The net effect of these differences in the treatment of general loan obligations is as follows:

Repayment of loan principal	\$	23,115	
Bond discount amortization		<u>(15,777)</u>	<u>7,338</u>

Change in Net Position of Governmental Activities	\$	<u><u>(115,461)</u></u>
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See accompanying notes to financial statements

VOYAGEUR ACADEMY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014 See Independent Auditor's Report

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Voyageur Academy (the "Academy") conform to generally accepted accounting principles applicable to public school academies. The following is a summary of the significant accounting policies:

Reporting Entity

Voyageur Academy was formed as a public school academy pursuant to the Michigan School Code of 1976, as amended by Act No. 362 of the Public Acts of 1993 and Act No. 416 of the Public Acts of 1994. The Academy filed articles of incorporation as a nonprofit corporation pursuant to the provisions of the Michigan Nonprofit Corporation Act of 1982, as amended, on June 25, 1998, and began operation in July 1998.

In May 2014, the Academy renewed its contract for an additional year through June 30, 2015 with Ferris State University's Board of Control to charter a public school academy. The contract requires the Academy to act exclusively as a governmental agency and not undertake any action inconsistent with its status as an entity authorized to receive state school aid funds pursuant to the State constitution. The University's Board of Control 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 Ferris State University's Board of Control three percent of state aid as administrative fees. Total administrative fees paid for the year ended June 30, 2014 were approximately \$246,400.

In November 2012, the Academy entered into a contract extension agreement through June 30, 2014 with The Leona Group, L.L.C. Under the terms of this agreement, The Leona Group, L.L.C. provides a variety of services including financial management, educational programs and consulting, as well as teacher training. The Academy is obligated to pay The Leona Group, L.L.C. ten percent of the Academy's gross revenues. The gross revenues include all receipts of the Academy, excluding any proceeds from borrowings undertaken by the Academy. The total paid for these services amounted to approximately \$859,500 for the year ended June 30, 2014.

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational or financial relationships with the public school Academy. Based on application of criteria, the Academy does not contain component units.

Fund Financial Statements

Fund financial statements report detailed information about the Academy. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

VOYAGEUR ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2014
See Independent Auditor's Report

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Basis of Presentation – Fund Accounting

The accounts of the Academy are organized on the basis of funds. The operations of a fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenue and expenditures. Government resources are allocated to and accounted for in individual funds based on the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the combined financial statements in this report, into generic fund types in two broad fund categories.

Governmental Funds

A governmental fund is a fund through which most academy functions typically are financed. The acquisition, use and balances of the Academy's expendable financial resources and the related current liabilities are accounted for through a governmental fund.

General Fund - The general fund is used to record the general operations of the Academy pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved current operating budget.

Special Revenue Fund - The special revenue fund is used to account for the food service program operations. The special revenue fund is a subsidiary operation and is an obligation of the general fund. Therefore any shortfall in the special revenue fund will be covered by an operating transfer from the general fund. The special revenue fund does not maintain its own assets and liabilities; accordingly, no balance sheet is presented for this fund.

Debt Service Fund - The debt service fund is used to record certain revenue and the payment of interest, principal and other expenditures on long-term debt.

Capital Projects Fund - The capital projects fund accounts for financial resources to be used for the acquisition, construction, or improvement of capital facilities.

Fiduciary Fund - The fiduciary fund, which the Academy does not presently maintain, is used to account for assets held by the Academy in a trustee capacity or as an agent. The agency fund is custodial in nature and does not involve the measurement of results of operations.

Activity (Agency) Fund - The activity fund, which the Academy does not presently maintain, records the transactions of a student group for school and school-related purposes. The fund is segregated and held in trust for the students.

Governmental and agency funds utilize the modified accrual basis of accounting. Modifications in such method from the accrual basis are as follows:

VOYAGEUR ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2014
See Independent Auditor's Report

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

- a. Revenue that is both measurable and available for use to finance operations is recorded as revenue when earned. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Academy considers revenues to be available if they are collected within sixty days of the end of the current fiscal period.
- b. Payments for inventorable types of supplies, which are not significant at year end, are recorded as expenditures at the time of purchase.
- c. Principal and interest of general long-term debt are not recorded as expenditures until their due dates.
- d. The State of Michigan utilizes a foundation allowance funding approach, which provides for specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenue from state sources is primarily governed by the School Aid Act and the School Code of Michigan. The state portion of the foundation is provided from the State's School Aid Fund and is recognized as revenue in accordance with state law. A major portion of the Academy's revenue is derived from this state aid. As such, the Academy is considered to be economically dependent on this aid. The Academy's existence is dependent upon qualification for such aid.

Government-Wide Financial Statements

The government-wide financial statements (i.e. the statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This approach differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationships between the government-wide statements and the statements for governmental funds.

The government-wide Statement of Activities presents a comparison between expenses and program revenues for each segment of the business-type activities of the Academy and for each governmental program. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. The Academy does not allocate indirect expenses to programs. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or function is self-financing or draws from the general revenues of the Academy. When both restricted and unrestricted resources are available for use, it is the Academy's policy to use restricted resources first.

VOYAGEUR ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2014
See Independent Auditor's Report

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Net position should be reported as restricted when constraints placed on net position use are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The Academy first utilizes restricted resources to finance qualifying activities.

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

Cash and Cash Equivalents

The Academy's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with maturities of three months or less from the date of acquisition. The Academy reports its investments in accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools and GASB No. 40, Deposit and Investment Risk Disclosures. Under these standards, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Academy intends to hold the investment until maturity. The Academy held investments in mutual funds that invest solely in U.S. Treasury obligations. The funds are held in trust for debt service and capital projects. State statutes authorize the Academy to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, saving accounts, deposit accounts, and or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Corporation or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The Academy is also authorized to invest in U.S. Government or Federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

Receivables

Receivables at June 30, 2014 consist primarily of state school aid due from the State of Michigan and the federal government. All receivables are expected to be fully collected in July and August of 2014 and are considered current for the purposes of these financial statements.

Prepaid Assets

Payments made to vendors for services that will benefit periods beyond June 30, 2014, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

VOYAGEUR ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2014
See Independent Auditor's Report

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Capital Assets and Depreciation

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions or retirements during the year. The Academy follows the policy of not capitalizing assets with a useful life of less than one year. The Academy does not possess any infrastructure assets.

All reported capital assets, with the exception of land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Building and improvements	10 – 50 years
Furniture and equipment	5 – 15 years
Computers and software	3 – 10 years

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, the non-current portion of capital leases that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors or laws of regulations of other governments.

Fund Equity

The Academy has adopted GASB 54 as part of its fiscal year reporting. The intention of the GASB is to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the Academy's financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on those resources.

VOYAGEUR ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2014
See Independent Auditor's Report

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

GASB 54 provides for two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. This category typically includes prepaid items and inventories.

In addition to nonspendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints.

- a. *Restricted fund balance* – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- b. *Committed fund balance* – amounts constrained to specific purposes by the Board; to be reported as committed, amounts cannot be used for any other purpose unless the Board takes action to remove or change the constraint.
- c. *Assigned fund balance* – amounts the Board intends to use for a specific purpose; intent can be expressed by the Board or by an official or committee to which the Board delegates the authority.
- d. *Unassigned fund balance* – amounts that are available for any purpose; these amounts are reported only in the general fund.

The Academy follows the policy that restricted, committed, or assigned amounts will be considered to have been spent when an expenditure is incurred for purposes for which both unassigned and restricted, committed, or assigned fund balances are available.

Estimates

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

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

VOYAGEUR ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2014
See Independent Auditor's Report

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - Continued

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. State law requires the Academy to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. The Academy is required by law to adopt general and special revenue fund budgets. During the year ended June 30, 2014 the budget was amended in a legally permissible manner. The Academy had expenditures in certain budgetary functions that were insignificantly in excess of the amounts appropriated for the year ended June 30, 2014 as detailed on page 20 to these financial statements.

NOTE 3 - DEPOSITS AND INVESTMENTS

As of June 30, 2014 the Academy had the following investments:

<u>Type</u>	<u>S&P Rating</u>	<u>Maturities</u>	<u>Carrying Value</u>
Deposits:			
Demand deposits			\$ 704,836
Investments:			
U.S. Treasury and agency obligations	AAAm	Various	<u>2,675,473</u>
Total deposits and investments			<u>\$ 3,380,309</u>

The above amounts are reported in the financial statements as follows:

Deposits:			
Cash - General Fund			\$ 704,836
Investments:			
Investments - Debt Service			2,588,061
Investments - Capital Projects			<u>87,412</u>
			<u>2,675,473</u>
Total deposits and investments			<u>\$ 3,380,309</u>

VOYAGEUR ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2014
See Independent Auditor's Report

NOTE 3 - DEPOSITS AND INVESTMENTS - Continued

Interest Rate Risk

In accordance with its investment policy, the Academy will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the Academy's cash requirements.

Credit Risk

State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2014, the Academy's investments were rated AAAM by Standards & Poor's and Aaa by Moody's Investors Service.

Concentration of Credit Risk

The Academy will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Academy's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. As of June 30, 2014, \$413,913 of the Academy's cash was exposed to custodial credit risk. All cash balances were uncollateralized as of June 30, 2014.

Custodial Credit Risk - Investments

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

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

Foreign Currency Risk

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

VOYAGEUR ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
 FOR THE YEAR ENDED JUNE 30, 2014
 See Independent Auditor's Report

NOTE 4 – DUE FROM OTHER GOVERNMENTAL UNITS

Amounts due from other governmental units consist of the following:

State sources	\$ 1,605,925
Federal sources	<u>131,312</u>
Total	<u>\$ 1,737,237</u>

NOTE 5 - CAPITAL ASSETS

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

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2014</u>
Capital assets not subject to depreciation				
Land	\$ 1,635,763	\$ -	\$ -	\$ 1,635,763
Capital assets subject to depreciation				
Building	12,008,740	16,620	-	12,025,360
Educational media and textbooks	48,400	-	-	48,400
Furniture and equipment	1,782,426	48,217	-	1,830,643
Improvements	<u>911,865</u>	<u>-</u>	<u>-</u>	<u>911,865</u>
Sub-total	16,387,194	64,837	-	16,452,031
Accumulated depreciation				
Building	330,298	319,059	-	649,357
Educational media and textbooks	8,000	16,133	-	24,133
Furniture and equipment	694,331	251,455	-	945,786
Improvements	<u>56,693</u>	<u>60,482</u>	<u>-</u>	<u>117,175</u>
Sub-total	<u>1,089,322</u>	<u>647,129</u>	<u>-</u>	<u>1,736,451</u>
Total net capital assets	<u>\$ 15,297,872</u>	<u>\$ (582,292)</u>	<u>\$ -</u>	<u>\$ 14,715,580</u>

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

VOYAGEUR ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
 FOR THE YEAR ENDED JUNE 30, 2014
 See Independent Auditor's Report

NOTE 6 – ACCRUED EXPENSES

Accrued expenses may be summarized as follows:

	<u>Net Position</u>	<u>Funds</u>
Management fee	\$ 27,487	\$ 27,487
University oversight fee	44,670	44,670
Accrued construction costs	28,500	28,500
Interest	653,264	-
	<hr/>	<hr/>
Total accrued expenses	<u>\$ 753,921</u>	<u>\$ 100,657</u>

NOTE 7 - LONG-TERM OBLIGATIONS PAYABLE

The following is a summary of long-term obligations for the Academy during the year ended June 30, 2014:

Loan Information

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Other</u>
Capital lease	3.29%	July, 2013	Consortium equipment lease that Academy splits with two other academies. Each academy is jointly and individually liable for all payments. Lease obligation and payments are split according to pupil counts.
Capital lease 2	15.01%	March, 2015	Payable monthly at \$163. Secured by Academy equipment.
Capital lease 3	11.13%	October, 2015	Consortium equipment lease that Academy splits with two other academies. Each academy is jointly and individually liable for all payments. Lease obligation and payments are split according to pupil counts.
Revenue bond	Average Rate of 7.88%	July, 2041	Interest payable twice yearly and principal once yearly. Secured by facilities and pledge for 20% of State school aid payments.

VOYAGEUR ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
 FOR THE YEAR ENDED JUNE 30, 2014
 See Independent Auditor's Report

NOTE 7 - LONG-TERM OBLIGATIONS PAYABLE - Continued

Loan Activity

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Retirements</u> <u>and Payments</u>	<u>Balance</u> <u>June 30, 2014</u>	<u>Due Within</u> <u>One Year</u>
Capital lease	\$ 2,656	\$ -	\$ 2,656	\$ -	\$ -
Capital lease 2	2,869	-	1,489	1,380	1,380
Capital lease 3	44,248	-	18,970	25,278	18,526
Revenue bond	18,435,000	-	-	18,435,000	195,000
	<u>\$ 18,484,773</u>	<u>\$ -</u>	<u>\$ 23,115</u>	18,461,658	<u>\$ 214,906</u>
Less unamortized discount				426,629	
				<u>\$ 18,035,029</u>	

Following are maturities of long-term obligations for principal and interest for the next five years and in total:

	<u>Principal</u>	<u>Interest</u>
2015	\$ 214,906	\$ 1,418,994
2016	216,752	1,401,454
2017	225,000	1,384,481
2018	240,000	1,366,463
2019	260,000	1,347,088
2020 - 2024	1,635,000	6,387,656
2025 - 2029	2,380,000	5,615,675
2030 - 2034	3,490,000	4,461,200
2035 - 2039	5,130,000	2,756,800
2040 - 2042	4,670,000	517,600

Following are minimum future lease agreements under capital leases for the next two years:

2015	\$ 21,869
2016	6,868
Subtotal	28,737
Less amount representing interest	2,079
Present value of minimum lease payments	<u>\$ 26,658</u>

VOYAGEUR ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2014
See Independent Auditor's Report

NOTE 8 – OPERATING LEASES

Lease Information

	<u>Maturity Date</u>	<u>Approximate Payment</u>	<u>Other</u>
Facilities Rental - Elementary	June, 2014	\$12,000 annually	The Academy is to pay the Lessor, as rental for the leased premises, without demand on the first day of each month, in advance, a monthly rental payment of \$1,000.

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

	<u>Elementary Lease</u>
2015	\$ 287,500

The Academy incurred lease expense of approximately \$12,000 during the year ended June 30, 2014 for the elementary facilities. The Academy entered into a lease extension for the premises for a term of one year expiring June 30, 2015 requiring monthly payments of \$22,916.

NOTE 9 - RETIREMENT PLAN

All leased employees of the Academy are eligible to participate in a retirement plan established by The Leona Group, "the employer", which qualifies under the provisions of Section 401(k) of the Internal Revenue Code. Eligible employees may contribute up to 15% of their salaries under the terms of this plan. The employer will match up to 6% of employee contributed funds.

VOYAGEUR ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2014
See Independent Auditor's Report

NOTE 10 - INTERFUND TRANSFERS

During the normal course of the school year the Academy transferred amounts between its major funds as follows:

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Transfer In	\$ -	\$ 55,813	\$ 1,614,509	\$ 27,504
Transfer Out	1,697,826	-	-	-

As stipulated by the Academy's revenue bond agreement as described in Note 7, the Academy must transfer 20% of its state aid to a trustee. The trustee retains the required portion for debt service and returns the remainder to the Academy. Additionally the general fund subsidizes the special revenue funds' lunch as well as the capital project funds' operations. The above transactions account for the major activity in the Academy's interfund transfer accounts.

NOTE 11 - RISK MANAGEMENT

The Academy is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (worker's compensation), as well as medical benefits provided to employees. The Academy has purchased commercial insurance for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 12 – OTHER MATTER

In March 2014, the Academy entered into a one year contract agreement through June 30, 2015 with American Promise Schools. The agreement services began on July 1, 2014. Under the terms of this agreement, American Promise Schools (APS) provides a variety of services including financial management, educational programs and consulting, as well as teacher training. The Academy is obligated to pay APS a fixed fee of \$529,757 and a variable fee of nine percent of the Academy's gross revenues. In no event shall the variable fee exceed the fixed fee. The gross revenues include all receipts of the Academy, excluding any proceeds from borrowings undertaken by the Academy.

SUPPLEMENTAL INFORMATION

VOYAGEUR ACADEMY

REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014
See Independent Auditor’s Report

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues				
Local sources	\$ 22,035	\$ 42,637	\$ 48,384	\$ 5,747
State sources	8,914,289	8,679,711	8,717,343	37,632
Federal sources	612,054	826,826	782,302	(44,524)
Interdistrict sources	20,091	56,605	15,229	(41,376)
Total general fund revenues	<u>9,568,469</u>	<u>9,605,779</u>	<u>9,563,258</u>	<u>(42,521)</u>
Expenditures				
Instruction				
Basic programs	2,647,425	2,468,432	2,391,500	(76,932)
Added needs	976,549	980,039	954,755	(25,284)
Support services				
Pupil support services	328,223	387,475	374,017	(13,458)
Instructional staff support services	560,774	513,297	485,908	(27,389)
General administration	754,898	793,284	891,050	97,766
School administration	660,116	559,064	532,268	(26,796)
Business support services	284,276	260,252	253,548	(6,704)
Operations and maintenance	1,328,788	1,221,307	1,155,818	(65,489)
Pupil transportation services	62,160	164,052	171,709	7,657
Central support services	261,063	238,959	238,189	(770)
Athletic activities	73,606	68,122	70,075	1,953
Community services	11,455	9,538	1,903	(7,635)
Facilities acquisition	-	16,620	16,620	-
Capital outlay	18,296	47,529	48,217	688
Debt principal and interest	62,531	28,483	38,599	10,116
Total general fund expenditures	<u>8,030,160</u>	<u>7,756,453</u>	<u>7,624,176</u>	<u>(132,277)</u>
Excess (deficiency) of revenues over expenditures	1,538,309	1,849,326	1,939,082	89,756
Other Financing Sources (Uses)				
Operating transfers out	<u>(1,508,410)</u>	<u>(1,693,986)</u>	<u>(1,697,826)</u>	<u>(3,840)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	29,899	155,340	241,256	85,916
Fund balance - July 1, 2013	<u>1,601,724</u>	<u>1,601,724</u>	<u>1,601,724</u>	<u>-</u>
Fund balance - June 30, 2014	<u>\$ 1,631,623</u>	<u>\$ 1,757,064</u>	<u>\$ 1,842,980</u>	<u>\$ 85,916</u>

VOYAGEUR ACADEMY

SUPPLEMENTAL INFORMATION
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BLANCE – NON-MAJOR FUNDS
 FOR THE YEAR ENDED JUNE 30, 2014
 See Independent Auditor's Report

	Special Revenue	Capital Projects	Total
Revenues			
Local sources	\$ -	\$ 26	\$ 26
State sources	15,314	-	15,314
Federal sources	378,188	-	378,188
	393,502	26	393,528
Total governmental fund revenues			
Expenditures			
Support services			
Food services	449,315	-	449,315
	449,315	-	449,315
Excess (deficiency) of revenues over expenditures	(55,813)	26	(55,787)
Other Financing Sources (Uses)			
Operating transfers in	55,813	27,504	83,317
	55,813	27,504	83,317
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	-	27,530	27,530
Fund balance - July 1, 2013	-	59,882	59,882
	-	59,882	59,882
Fund balance - June 30, 2014	\$ -	\$ 87,412	\$ 87,412
	\$ -	\$ 87,412	\$ 87,412

VOYAGEUR ACADEMY

SCHEDULE OF REVENUES – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2014 See Independent Auditor’s Report

Local Sources

Authorizer grant	\$	658
Earnings on investments		195
Student activities		30,438
Other local revenues		<u>17,093</u>
Total local sources		48,384

State Sources

At risk		325,693
Special education		153,191
State aid		<u>8,238,459</u>
Total state sources		8,717,343

Federal Sources

IDEA		170,345
Title I		523,011
Title II A		23,499
Other program revenue		<u>65,447</u>
Total federal sources		782,302

Interdistrict Sources

		<u>15,229</u>
Total general fund revenues	\$	<u><u>9,563,258</u></u>

VOYAGEUR ACADEMY

SCHEDULE OF EXPENDITURES – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2014 See Independent Auditor's Report

Basic Programs

Purchased services	\$ 2,195,185
Supplies and materials	142,142
Other expenditures	54,173
	<hr/>
Total basic programs	2,391,500

Added Needs

Purchased services	942,740
Supplies and materials	10,192
Non-depreciable capital assets	1,823
	<hr/>
Total added needs	954,755

Pupil Support Services

Guidance services	132,341
Health services	8,113
Psychological services	32,272
Speech pathology and audiology	97,484
Social work services	103,807
	<hr/>
Total pupil support services	374,017

Instructional Staff Support Services

Purchased services	475,418
Supplies and materials	9,555
Non-depreciable capital assets	572
Other expenditures	363
	<hr/>
Total instructional staff support services	485,908

General Administration

Purchased services	237,251
Management fees	401,887
University oversight	246,378
Supplies and materials	5,485
Other expenditures	49
	<hr/>
Total general administration	891,050

VOYAGEUR ACADEMY

SCHEDULE OF EXPENDITURES – GENERAL FUND - Continued
FOR THE YEAR ENDED JUNE 30, 2014
See Independent Auditor's Report

School Administration

Purchased services	476,635
Rentals	3,896
Supplies and materials	34,210
Other expenditures	17,527
	<hr/>
Total school administration	532,268

Business Support Services

Purchased services	238,764
Other expenditures	14,784
	<hr/>
Total business support services	253,548

Operations and Maintenance

Purchased services	374,196
Repairs and maintenance	665,089
Rentals	39,618
Supplies and materials	58,133
Non-depreciable capital assets	2,723
Other expenditures	16,059
	<hr/>
Total operations and maintenance	1,155,818

Pupil Transportation Services

Purchased services	169,204
Supplies and materials	2,505
	<hr/>
Total pupil transportation services	171,709

Central Support Services

Purchased services	237,571
Supplies and materials	618
	<hr/>
Total central support services	238,189

VOYAGEUR ACADEMY

SCHEDULE OF EXPENDITURES – GENERAL FUND - Continued
FOR THE YEAR ENDED JUNE 30, 2014
See Independent Auditor’s Report

Athletic Activities

Purchased services	41,478
Rentals	718
Supplies and materials	23,800
Other expenditures	<u>4,079</u>

Total athletic activities 70,075

Community Services

1,903

Facilities Acquisition

16,620

Capital Outlay

48,217

Debt Principal and Interest

38,599

Total general fund expenditures \$ 7,624,176

APPENDIX

Federal Awards

Supplemental Information

**INDEPENDENT AUDITOR'S REPORT OF COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

**To the Board of Directors
of Voyageur Academy**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Voyageur Academy, as of and for the year ended June 30, 2014 and the related notes to the financial statements, which collectively comprise Voyageur Academy's basic financial statements, and have issued our report thereon dated October 21, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Voyageur Academy's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Voyageur Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of Voyageur Academy's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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.

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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Voyageur Academy’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



Croskey Lanni, PC

October 21, 2014
Rochester, Michigan

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

**To the Board of Directors
of Voyageur Academy**

Report on Compliance for Each Major Federal Program

We have audited Voyageur Academy's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Voyageur Academy's major federal programs for the year ended June 30, 2014. Voyageur Academy's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Voyageur Academy's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Voyageur Academy's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Voyageur Academy's compliance.

Opinion on Each Major Federal Program

In our opinion, Voyageur Academy, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of Voyageur Academy is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Voyageur Academy's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Voyageur Academy's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Croskey Lanni, PC

October 21, 2014
Rochester, Michigan

VOYAGEUR ACADEMY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED, JUNE 30, 2014

Program Title/Project Number Subrecipient Name	CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue at July 1, 2013	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2014
US Department of Agriculture								
Passed through Michigan								
Department of Education:								
Child Nutrition Cluster								
School Breakfast Program	10.553	\$ 69,927	\$ -	\$ -	\$ -	\$ 69,927	\$ 69,927	\$ -
National School Lunch Program	10.555	294,968	-	-	-	294,968	294,968	-
Entitlement 12-13	10.555	13,293	-	-	-	13,293	13,293	-
Total US Department of Agriculture, Passed through Michigan Department of Education		378,188	-	-	-	378,188	378,188	-
US Department of Education								
Passed through the Wayne County RESA								
I.D.E.A. Cluster								
	84.027							
12-13 Flowthrough		125,218	125,218	22,337	-	22,337	-	-
13-14 Flowthrough		170,345	-	-	-	170,345	170,345	-
Total US Department of Education Passed through Wayne County RESA		295,563	125,218	22,337	-	192,682	170,345	-
US Department of Education								
Elementary Connection Counseling Program								
S215EI30080-14	84.215E	395,267	-	-	-	65,447	65,447	-
Total US Department of Education		395,267	-	-	-	65,447	65,447	-

VOYAGEUR ACADEMY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - Continued
FOR THE YEAR ENDED JUNE 30, 2014

<u>Program Title/Project Number Subrecipient Name</u>	<u>CFDA Number</u>	<u>Approved Awards Amount</u>	<u>(Memo Only) Prior Year Expenditures</u>	<u>(Deferred) Revenue at July 1, 2013</u>	<u>Adjustments and Transfers</u>	<u>Payments In-kind Received</u>	<u>Expenditures</u>	<u>(Deferred) Revenue at June 30, 2014</u>
US Department of Education								
Passed through Michigan								
Department of Education								
Title I	84.010							
131530 1213		727,480	530,606	68,456	-	86,994	18,538	-
141530 1314		735,871	-	-	-	435,006	504,473	69,467
Total Title I Cluster		1,463,351	530,606	68,456	-	522,000	523,011	69,467
Title II A	84.367							
130520 1213		73,528	41,459	2,691	-	16,340	13,649	-
140520 1314		33,256	-	-	-	9,146	9,850	704
Total US Department of Education Passed through Michigan Department of Education		<u>1,570,135</u>	<u>572,065</u>	<u>71,147</u>	<u>-</u>	<u>547,486</u>	<u>546,510</u>	<u>70,171</u>
Total federal awards		<u>\$ 2,639,153</u>	<u>\$ 697,283</u>	<u>\$ 93,484</u>	<u>\$ -</u>	<u>\$ 1,183,803</u>	<u>\$ 1,160,490</u>	<u>\$ 70,171</u>

VOYAGEUR ACADEMY

RECONCILIATION OF BASIC FINANCIAL STATEMENTS
FEDERAL RECEIVABLES AND REVENUE WITH SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

Revenues to Expenditures

Revenue from federal sources - As reported on financial statements
(includes all funds):

General Fund	\$ 782,302
Special Revenue Fund	<u>378,188</u>

Federal expenditures per the schedule of expenditures of federal awards	<u>\$ 1,160,490</u>
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Receivables

Receivable from federal sources - As reported on financial statements	\$ 131,312
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Timing differences between MDE payment and Academy receipt	<u>61,141</u>
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Federal receivables per schedule of expenditure of federal awards	<u>\$ 70,171</u>
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VOYAGEUR ACADEMY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Voyageur Academy under programs of the federal government for the year ended June 30, 2014. Expenditures reported on the Schedule are reported on the same basis of accounting as the basic financial statements, although the basis for determining when federal awards are expended is presented in accordance with requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. In addition, expenditures reported on the Schedule are recognized following the cost principles contained in OMB Circular A-87, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Because the Schedule presents only a selected portion of the operations of Voyageur Academy, it is not intended to and does not present the financial position, changes in net assets, or cash flows, if applicable, of Voyageur Academy. Pass-through entity identifying numbers are presented where available.

NOTE 2 - NONCASH ASSISTANCE

The value of the noncash assistance received was determined in accordance with the provisions of OMB Circular A-133.

NOTE 3 - GRANT AUDITOR'S REPORT

Management has utilized the Grant Auditor's report in preparing the schedule of expenditures of federal awards. Unreconciled differences, if any, have been disclosed to the auditor.

VOYAGEUR ACADEMY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

SECTION I - SUMMARY OF THE AUDITOR'S RESULTS

Financial Statements

Internal control over financial reporting:

- Material weakness(es) identified? ___yes no
- Significant deficiency(ies) identified that are not considered to be a material weakness(es)? ___yes no
- Noncompliance material to financial statements noted? ___yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ___yes no
- Significant deficiency(ies) identified that are not considered to be a material weakness(es)? ___yes no

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? ___yes no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
# 84.010	Title I
# 84.027	I.D.E.A. Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? ___yes no

VOYAGEUR ACADEMY

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued
FOR THE YEAR ENDED JUNE 30, 2014**

SECTION II – FINANCIAL STATEMENT FINDINGS

NONE

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

NONE

VOYAGEUR ACADEMY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2014

1) Audit findings that have been fully corrected:

Fiscal Year: 2013

Finding Number: 2013-01

Finding: The Academy collected cash for petty cash, the uniform store, athletic gate receipts, facility rental and the candy store and did not consistently receipt the cash, making it impossible to prove the amount collected and ensure that all amounts were deposited within an Academy approved financial institution.

Comments: The Academy has fully corrected and implemented new procedures that requires the proper collection and receipt of cash collections to ensure accuracy, integrity, and recording of gate and store receipts.

Fiscal Year: 2013

Finding Number: 2013-02

Finding: Cash was collected at the Academy contrary to established internal controls and in turn used to pay for expenditures that were not subjected to the typical procurement procedure.

Comments: The Academy has implemented new control procedures that discourage the maintenance of large amounts of cash on premises and related use of cash for purchase of items.

Fiscal Year: 2013

Finding Number: 2013-03

Finding: Final revenues and expenditures in certain budgetary categories were in excess of amounts appropriated.

Comments: Budgeting procedures were reviewed and fully corrected so that budgets were within MDE guidelines.

2) Audit findings not corrected or partially corrected: None
