

VOYAGEUR ACADEMY

**FINANCIAL REPORT
WITH
SUPPLEMENTAL INFORMATION**

JUNE 30, 2016

VOYAGEUR ACADEMY

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Voyageur Academy
Detroit, MI

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Voyageur Academy (the Academy) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 controls relevant to the Academy's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of the Academy's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Independent Auditor's Report
(Continued)

Auditor's Responsibility (Continued)

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 the governmental activities, each major fund, and the aggregate remaining fund information of the Academy as of June 30, 2016 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 Supplement Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information as identified in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Academy's basic financial statements. The non-major combining fund statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The non-major combining fund statements 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 non-major combining fund statements fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Independent Auditor's Report
(Continued)

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 31, 2016 on our consideration of the Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of law, 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 the Academy's internal control over financial reporting and compliance.

Alan C. Young, Assoc.

Detroit, Michigan
October 31, 2016

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, 2016. 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.

VOYAGEUR ACADEMY

Management Discussion and Analysis (MD&A) (Continued) June 30, 2016

Reporting the Academy as a Whole – Academy-wide Financial Statements (Continued)

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 bond covenants. However, the Academy establishes other funds to help it control and manage money for particular purposes (the Food Service fund is an example) 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, 2016 and June 30, 2015.

	<u>2016</u>	<u>2015</u>
Current and Other Assets	\$ 5,215,015	\$ 5,492,471
Capital Assets	<u>13,429,321</u>	<u>14,068,451</u>
Total Assets	<u>18,644,336</u>	<u>19,560,922</u>
Other Liabilities	1,980,793	1,641,656
Long Term Debt	<u>17,409,925</u>	<u>17,619,148</u>
Total Liabilities	<u>19,390,718</u>	<u>19,260,804</u>
Net Position		
Net Investment in Capital Assets	(4,205,604)	(3,760,697)
Restricted	2,336,333	2,566,387
Unrestricted	<u>1,122,889</u>	<u>1,494,428</u>
Total Net Position	<u>\$ (746,382)</u>	<u>\$ 300,118</u>

VOYAGEUR ACADEMY

Management Discussion and Analysis (MD&A) (Continued) June 30, 2016

The Academy as a Whole (Continued)

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 (\$746,382) at June 30, 2016. The net investment in capital assets (\$4,205,604) 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 is 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 \$1,122,889 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 June 30, 2016 and June 30, 2015.

	<u>2016</u>	<u>2015</u>
Revenue:		
Program Revenues:		
Charges for Services	\$ 13,760	\$ 16,003
Federal and State Operating Grants	2,254,685	1,995,311
General Revenues:		
State Aid - Unrestricted	7,573,569	8,067,908
Miscellaneous	29,179	44,887
Total Revenues	<u>9,871,193</u>	<u>10,124,109</u>
Expenses:		
Instruction	4,012,316	3,901,281
Support Services	4,856,592	4,422,425
Unallocated Depreciation	639,130	647,129
Unallocated Interest	1,409,655	1,398,896
Total Expenses	<u>10,917,693</u>	<u>10,369,731</u>
Decrease in Net Position	<u>\$ (1,046,500)</u>	<u>\$ (245,622)</u>

VOYAGEUR ACADEMY

Management Discussion and Analysis (MD&A) (Continued)
June 30, 2016

The Academy as a Whole (Continued)

As reported in the statement of activities, the cost of all of our governmental activities this year was \$10,917,693. Certain activities were partially funded by other governments and organizations that subsidized certain programs with grants and contributions (\$2,254,685). We paid for the remaining “public benefit” portion of our governmental activities with \$7,573,569 in state foundation allowance, and with our other revenues.

The Academy experienced a decrease in net position of \$1,046,500. 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 \$1,761,439 which is a decrease of \$378,999 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.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2016, the Academy had \$13,429,321 invested in a broad range of capital assets, including land, building improvements and furniture and equipment. There were no current year additions and there are no major capital projects planned for the 2016-17 fiscal year.

VOYAGEUR ACADEMY

Management Discussion and Analysis (MD&A) (Continued)
June 30, 2016

Capital Assets and Debt Administration (Continued)

At June 30, 2016 The Academy had \$18,030,000 in long-term obligations. This represents the Academy's revenue bonds which are payable through July, 2041.

We present more detailed information about our capital assets and long-term debt 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 2017 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 2017 budget was adopted in June 2016 based on an estimate of students that will be enrolled in October 2016. Approximately 90 percent of total General Fund revenue is from foundation allowance. As a result, Academy funding is heavily dependent on the State's ability to fund local school operations. 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.

Contacting the Academy's Management

This financial report is designed to provide a general overview of the Academy's finances. If you have any questions about this report or need additional information, contact the Finance Department of American Promise Schools at 4366 Military Street, Detroit, Michigan 48210.

VOYAGEUR ACADEMY

Statement of Net Position June 30, 2016

	<u>Governmental Activities</u>
Assets	
Cash and Cash Equivalents (Note 3)	\$ 741,437
Investments - Restricted for Debt Service and Capital Projects (Note 3)	2,275,613
Accounts Receivable	53,858
Deposits	5,000
Due From Other Governmental Units (Note 4)	2,129,597
Prepaid Expenses	9,510
Capital Assets, Net of Accumulated Depreciation (Note 5)	<u>13,429,321</u>
Total Assets	<u>18,644,336</u>
Liabilities	
Accounts Payable	577,372
Accrued Interest Payable	638,550
Other Accrued Liabilities	539,614
Due to Other Governmental Units	257
Long-term Debt - Due within One Year (Note 8)	<u>225,000</u>
Total Current Liabilities	1,980,793
Long-Term Debt - Long Term Portion (Note 8)	<u>17,409,925</u>
Total Liabilities	<u>19,390,718</u>
Net Position	
Net Investment in Capital Assets	(4,205,604)
Restricted for Debt Service and Capital Projects	2,336,333
Unrestricted	<u>1,122,889</u>
Total Net Position	<u><u>\$ (746,382)</u></u>

The accompanying notes are an integral part of these financial statements

VOYAGEUR ACADEMY

Statement of Activities Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues		Governmental
		Charges for Services	Operating Grants and Contributions	Activities
				Net (Expenses) Revenues and Changes in Net Position
Governmental Activities				
Basic Instructions	\$ 3,105,942	\$ -	\$ 758,480	\$ (2,347,462)
Added Needs	906,374	-	775,719	(130,655)
<u>Supporting Services</u>				
Pupil Support Services	555,565	-	189,620	(365,945)
Instructional Staff Services	281,095	-	-	(281,095)
General / Executive Administration Services	1,149,948	-	-	(1,149,948)
School Administration Services	599,550	-	-	(599,550)
Business Services	257,658	-	-	(257,658)
Operations and Maintenance	945,409	-	-	(945,409)
Pupil Transportation Services	135,964	-	-	(135,964)
Support Services - Other	46,665	-	-	(46,665)
Central Services	328,620	-	8,193	(320,427)
Athletic Activities	93,321	13,589	-	(79,732)
Food Services	461,953	-	522,673	60,720
Community Services	608	-	-	(608)
Custody and Care of Children	236	-	-	(236)
Interest Expense	1,409,655	171	-	(1,409,484)
Depreciation - Unallocated	639,130	-	-	(639,130)
Total Governmental Activities	10,917,693	13,760	2,254,685	(8,649,248)
<u>General Revenues</u>				
				7,573,569
				29,179
				7,602,748
				Change in Net Position (1,046,500)
				Net Position - July 1, 2015 300,118
				Net Position - June 30, 2016 \$ (746,382)

The accompanying notes are an integral part of these financial statements

VOYAGEUR ACADEMY

Governmental Funds Balance Sheet June 30, 2016

	<u>General Fund</u>	<u>Debt Fund</u>	<u>Non-Major Funds</u>	<u>Total</u>
ASSETS				
Cash and Cash Equivalents (Note 3)	\$ 741,437	\$ -	\$ -	\$ 741,437
Investments - Restricted for Debt Service and Capital Projects (Note 3)	-	2,175,412	100,201	2,275,613
Accounts Receivable	53,858	-	-	53,858
Deposits	5,000	-	-	5,000
Due From Other Governmental Units (Note 3)	2,103,472	-	26,125	2,129,597
Due from Other Funds	-	-	140,676	140,676
Prepaid Expenses	9,510	-	-	9,510
Total Assets	<u>\$2,913,277</u>	<u>\$2,175,412</u>	<u>\$ 267,002</u>	<u>\$5,355,691</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts Payable	\$ 471,291	\$ -	\$ 106,081	\$ 577,372
Other Accrued Liabilities	539,614	-	-	539,614
Due to Other Funds	140,676	-	-	140,676
Due to Other Governmental Units	257	-	-	257
Total Liabilities	<u>1,151,838</u>	<u>-</u>	<u>106,081</u>	<u>1,257,919</u>
Fund Balance				
Nonspendable	9,510	-	-	9,510
Restricted	-	2,175,412	160,921	2,336,333
Unassigned	1,751,929	-	-	1,751,929
Total Fund Balance	<u>1,761,439</u>	<u>2,175,412</u>	<u>160,921</u>	<u>4,097,772</u>
Total Liabilities and Fund Balances	<u>\$2,913,277</u>	<u>\$2,175,412</u>	<u>\$ 267,002</u>	<u>\$5,355,691</u>

The accompanying notes are an integral part of these financial statements

VOYAGEUR ACADEMY

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position June 30, 2016

Total Fund Balances - Governmental Funds		\$ 4,097,772
Amounts Reported for Governmental Activities in the Statement of Net Position are different because:		
Capital Assets used in Governmental Activities are not Financial Resources and therefore, not Reported as Assets in		
Cost of Capital Assets	16,452,031	
Accumulated Depreciation	<u>(3,022,710)</u>	13,429,321
Interest is not Payable until due in Governmental Activities and, therefore, is not Recorded in the Funds		(638,550)
Long-term Debt in Governmental Activities is not a Financial Resource and therefore, not Reported as Liabilities in Governmental Funds		<u>(17,634,925)</u>
Total Net Position - Governmental Activities		<u>\$ (746,382)</u>

The accompanying notes are an integral part of these financial statements

VOYAGEUR ACADEMY

Statement of Revenue, Expenditures and Changes in Fund Balances Year Ended June 30, 2016

	General Fund	Debt Service	Non-Major Funds	Total
Revenue				
Federal Sources	\$ 917,813	\$ -	\$ 507,321	1,425,134
State Sources	8,248,253	-	15,352	8,263,605
Local Sources	182,283	160	11	182,454
Total Revenue	9,348,349	160	522,684	9,871,193
Expenditures				
Basic Instruction	3,105,942	-	-	3,105,942
Added Needs	906,374	-	-	906,374
<u>Supporting Services:</u>				
Pupil Support Services	555,565	-	-	555,565
Instructional Staff Services	281,095	-	-	281,095
General / Executive Administration Services	1,149,948	-	-	1,149,948
School Administration Services	599,550	-	-	599,550
Business Services	218,673	38,985	-	257,658
Operations and Maintenance	945,409	-	-	945,409
Pupil Transportation Services	135,964	-	-	135,964
Central Services	328,620	-	-	328,620
Support Services - Other	46,665	-	-	46,665
Athletic Activities	93,321	-	-	93,321
Food Services	-	-	461,953	461,953
Community Services	608	-	-	608
Custody and Care of Children	236	-	-	236
Debt Principal and Interest	-	1,611,338	-	1,611,338
Total Expenditures	8,367,970	1,650,323	461,953	10,480,246
Excess of Revenue Over (Under) Expenditures	980,379	(1,650,163)	60,731	(609,053)
Other Financing sources (Uses)				
Operating Transfers In (Out)	(1,359,378)	1,346,738	12,640	-
Net Change in Fund Balance	(378,999)	(303,425)	73,371	(609,053)
Fund Balance - July 1, 2015	2,140,438	2,478,837	87,550	4,706,825
Fund Balance - June 30, 2016	\$ 1,761,439	\$ 2,175,412	\$ 160,921	\$ 4,097,772

The accompanying notes are an integral part of these financial statements

VOYAGEUR ACADEMY

Reconciliation of the Governmental Funds Statement of Revenue, Expenditures and Changes in Fund Balances to the Statement of Activities Year Ended June 30, 2016

Net Change in Fund Balances - Total Governmental Funds \$ (609,053)

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.

Depreciation Expense (639,130)

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	210,000	
Bond Discount Amortization	(15,777)	
Change in Accrued Interest Payable	<u>7,460</u>	
		<u>201,683</u>
Change in Net Position - Governmental Activities		<u>\$ (1,046,500)</u>

The accompanying notes are an integral part of these financial statements

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Voyageur Academy (the Academy) conform to generally accepted accounting principles as applicable to schools. The following is a summary of the significant policies:

Reporting Entity

Voyageur Academy is a nonprofit corporation and a public school academy corporation organized under the Michigan Nonprofit Corporation Act, as amended, 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 provision of the Michigan Nonprofit Corporation Act of 1982, as amended, on June 25, 1998, and began operation in July 1998.

The Academy renewed its contract through June 30, 2019 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 Ferris State University Board of Trustees is the fiscal agent for the Academy and is responsible for overseeing the Academy's compliance with the Contract and all applicable laws and other related activities for which compensation is permissible. The Academy pays the Ferris State University Board of Trustees 3 percent of the Academy's State School Aid Payments as an administrative fee. The total administrative fees paid in 2015 - 2016 to Ferris State University were approximately \$227,000.

Academy-Wide and Fund Financial Statements

The academy-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the Academy. Governmental activities, which normally are supported by intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the Academy's Academy-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

Depreciation on the capital assets is unallocated in the Statement of Activities.

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

When an expense is incurred for purposes for which both restricted and unrestricted net assets or fund balance are available, the Academy's policy is to first apply restricted resources. When an expense is incurred for purposes which amounts in any of the unrestricted fund balance classifications could be used, it is the Academy's policy to spend funds in this order: committed, assigned, and unassigned.

Fund 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.

Unrestricted 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 Academy.

General Fund – One of the Academy's major funds is the General Fund. This fund is used to account for all operational activities of the Academy. The General Fund includes the current operating expenditures of the Academy. Revenues are derived primarily from the State of Michigan.

Debt Service Fund – The Academy's other major fund is the 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.

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.

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

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**Assets, Liabilities, and Net Assets or Equity**

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’s entire investment balance at June 30, 2015 was made up of cash and cash equivalents (demand deposits). 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 and Payables – Receivables are shown net of an allowance for uncollectible amounts. The Academy considers all receivables to be fully collectible; accordingly, no allowance for uncollectible amounts has been recorded.

Capital Assets – Capital assets, which include furniture and equipment and leasehold improvements, are reported in the applicable governmental column in the Academy-wide financial statements. Capital assets are defined by the Academy as assets with an initial individual cost of more than \$1,000 and a useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. Cost of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized. The Academy does not have infrastructure-type assets.

All the Academy’s assets are depreciated using the straight-line method over the following useful lives:

Building and Improvements	10-50 years
Furniture and Equipment	5-15 years
Educational Media and Textbooks	3-10 years

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Deferred Outflows of Resources – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. The Academy had no deferred outflows of resources at year-end.

Deferred Inflows of Resources – In addition to liabilities, the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The governmental funds report unavailable revenues, which arises only under a modified accrual basis of accounting, from grants receivable. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The Academy had no deferred inflows of resources at June 30, 2016.

Unearned Revenue – Unearned revenue is reported in connection with funds that have been received for services which have not been performed and is therefore not yet earned. At June 30, 2016, the Academy had \$0 in unearned revenue.

MPSERS Liability – The Academy contracted with an outside organization to provide all staffing personnel during the year under audit. Consequently, all staffing costs are treated as purchased services in these financial statements. The Academy has no obligation to fund the Michigan Public School Employees Retirement System for the year 2016, and no such funding was made for the year.

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. 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.

Fund Balance – GASB 54 provides for two major types of fund balances, which are non-spendable and spendable. Non-spendable 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.

VOYAGEUR ACADEMY

Notes to Financial Statements (Continued)
June 30, 2016

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

In addition to non-spendable 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.

Use of Estimates - The preparation of the 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 of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statement, and the reported revenues and expenses during the reporting period. Actual results may differ from those estimates.

2) STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information – 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, 2015 the budget was amended in a legally permissible manner. The Academy had expenditures in certain budgetary functions that were in excess of the amounts appropriated for the year ended June 30, 2016. Significant variances (variances over 5%) are listed below.

	<u>Budget</u>	<u>Actual</u>
General / Executive Administration Services	\$1,092,214	\$ 1,149,948
Pupil Transportation Services	109,714	135,964
Central Services	307,671	328,620

2) STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

Grants – Amounts received or receivable from grantor agencies are subject to audit and adjustment by the grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, would become a liability of the General Fund. In the Academy's opinion, no disallowed claims are expected and would not have a material effect on the financial statements as of and for the year ended June 30, 2016.

3) DEPOSITS AND INVESTMENTS

The Academy's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of bank failure, the Academy's deposits may not be returned to it. The Academy's investment policy requires that financial institutions be evaluated and only those with an acceptable risk level are used for the Academy's deposit for custodial credit risk. At June 30, 2016, the Academy had a deposit balance of \$751,030, \$501,030 out of which is uninsured.

Custodial Credit Risk of Investments

The Academy will minimize custodial credit risk, which is the risk of loss due to 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.

Interest Rate Risk

Interest rate risk is the risk that value of investments will decrease as a result of a rise in interest rates. The Academy's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity. The Academy's policy minimizes interest rate risk 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 Academy's cash requirements. The Academy does not have investments with interest rate risk.

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. At June 30, 2016, the Academy had no investments with credit risk.

VOYAGEUR ACADEMY

Notes to Financial Statements (Continued)
June 30, 2016

3) DEPOSITS AND INVESTMENTS (Continued)

Foreign Currency Risk

Foreign currency risk is the risk that an investment denominated in the currency of a foreign country could reduce its U.S. dollar value, as a result of changes in foreign currency exchange rates. State law and Academy's policy prohibit investment in foreign currency.

4) DUE FROM OTHER GOVERNMENTAL UNITS

Receivables as of June 30, 2016 for the Academy include \$1,520,384 in State Aid receivable and \$609,213 in Federal grant receivable.

5) CAPITAL ASSETS

Capital assets activity of the School's governmental activities was as follows:

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2016</u>
Capital Assets not Subject to Depreciation				
Land	\$ 1,635,763	\$ -	\$ -	\$ 1,635,763
Capital Assets Subject to Depreciation				
Building	12,025,360	-	-	12,025,360
Educational Media and Textbooks	48,400	-	-	48,400
Furniture and Equipment	1,830,643	-	-	1,830,643
Improvements	911,865	-	-	911,865
Sub-total	<u>16,452,031</u>	<u>-</u>	<u>-</u>	<u>16,452,031</u>
Accumulated Depreciation				
Building	968,416	319,059	-	1,287,475
Educational Media and Textbooks	40,266	8,134	-	48,400
Furniture and Equipment	1,197,241	251,455	-	1,448,696
Improvements	177,657	60,482	-	238,139
Sub-total	<u>2,383,580</u>	<u>639,130</u>	<u>-</u>	<u>3,022,710</u>
Total Net Capital Assets	<u>\$ 14,068,451</u>	<u>\$ (639,130)</u>	<u>\$ -</u>	<u>\$ 13,429,321</u>

Depreciation is unallocated in the Statement of Activities.

6) MANAGEMENT COMPANY AGREEMENT

The Academy has entered into a contract with American Promise Schools through June 30, 2017. Under the direction of the Academy's Board, American Promise Schools shall be responsible for all of the management, operation, administration, and education at the Academy, by providing certain services directly to the Academy, subcontracting for certain services, and overseeing other contractors. The management contract may be terminated under various circumstances as defined in the management agreement. The management contract provides that the Academy shall pay American Promise Schools an annual fee of 9% of the State school aid the Academy receives from the State of Michigan.

The annual compensation for American Promise Schools shall not be less than \$529,757 nor more than \$865,512. Compensation for the year ended June 30, 2016 was \$865,512.

7) DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS

Plan Description – The Academy currently does not participate in the Michigan Public School Employees' Retirement System (MPSERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan.

Post-employment Benefits – Currently, the Academy does not offer any post-employment benefits.

8) LONG-TERM OBLIGATIONS PAYABLE

Loan Information	Interest Rate	Maturity Date	Other		
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.		
Loan Activity	Balance July 1, 2015	Additions	Retirement and Payments	Balance June 30, 2016	Due Within One Year
Revenue Bond	\$18,240,000	\$ -	\$ 210,000	\$18,030,000	\$ 225,000
	\$18,240,000	\$ -	\$ 210,000	18,030,000	\$ 225,000
Less Unamortized Discount				395,075	
				\$17,634,925	

VOYAGEUR ACADEMY

Notes to Financial Statements (Continued)
June 30, 2016

8) LONG-TERM OBLIGATIONS PAYABLE (Continued)

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	225,000	\$ 1,384,481	\$ 1,609,481
2018	240,000	1,366,462	1,606,462
2019	260,000	1,347,087	1,607,087
2020	280,000	1,326,162	1,606,162
2021	300,000	1,303,687	1,603,687
2022-2026	1,900,000	6,114,275	8,014,275
2027-2031	2,770,000	5,208,606	7,978,606
2032-2036	4,075,000	3,857,000	7,932,000
2037-2041	5,980,000	1,869,200	7,849,200
2042	2,000,000	60,000	2,060,000
	<u>\$ 18,030,000</u>	<u>\$ 23,836,960</u>	<u>\$ 41,866,960</u>

9) OPERATING LEASE

The Academy has entered into a lease agreement with Zion Evangelical Lutheran Church of Detroit (a Michigan nonprofit corporation) for a facility to house the Academy. The lease runs through June 30, 2016. Rent expense for the year ended June 30, 2015 was \$274,999. The terms of the lease call for monthly payments of \$22,916 for the year ended June 30, 2016, totaling \$274,999 for the year.

10) INTER-FUND TRANSFERS / DUE TO / FROM OTHER FUNDS

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>Total</u>
Transfer In	\$ -	\$ 12,640	\$ 1,346,738	\$ 1,359,378
Transfer Out	1,359,378	-	-	1,359,378

As stipulated by the Academy's revenue bond agreement as described in Note 8, 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 projects funds' operations. The above transactions account for the major activity in the Academy's inter-fund transfer accounts.

10) INTER-FUND TRANSFERS / DUE TO / FROM OTHER FUNDS (Continued)

The Academy had the following interfund balances at June 30, 2016.

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ -	\$ 140,676
Cafeteria Fund	140,676	-
	<u>\$ 140,676</u>	<u>\$ 140,676</u>

These balances are due to expenditures originally paid through the cafeteria fund that relate to the general fund.

11) SUBSEQUENT EVENTS

The Academy has evaluated all subsequent events through October 31, 2016, the date the financial statements were available to be issued. On August 22, 2016, the Academy entered into an agreement with the Michigan Finance Authority to borrow \$ 676,000 at 4.25 percent annual interest on a state aid anticipation note. The note is due in monthly installments, including interest, of \$62,960 from October 20, 2016 through August 21, 2017.

REQUIRED SUPPLEMENTAL INFORMATION

VOYAGEUR ACADEMY

Budgetary Comparison Schedule General Fund Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Over (Under) Final Budget	Percentage Over (Under) Final Budget
Revenue					
Federal Sources	\$ 993,580	\$ 1,007,441	\$ 917,813	\$ (89,628)	-8.9%
State Sources	9,246,953	8,251,280	8,248,253	(3,027)	0.0%
Local Sources	201,500	233,971	182,283	(51,688)	-22.1%
Total Revenue	<u>10,442,033</u>	<u>9,492,692</u>	<u>9,348,349</u>	<u>(144,343)</u>	<u>-1.5%</u>
Expenditures					
Instructional Services	3,609,110	3,127,471	3,105,942	(21,529)	-0.7%
Added Needs	1,287,301	996,780	906,374	(90,406)	-9.1%
<u>Supporting Services:</u>					
Pupil Support Services	256,495	552,818	555,565	2,747	0.5%
Instructional Staff Services	361,640	401,100	281,095	(120,005)	-29.9%
General / Executive Administration Services	1,276,153	1,092,214	1,149,948	57,734	5.3%
School Administration Services	573,920	628,825	599,550	(29,275)	-4.7%
Business Services	210,980	255,417	218,673	(36,744)	-14.4%
Operations and Maintenance	939,581	954,302	945,409	(8,893)	-0.9%
Pupil Transportation Services	127,000	109,714	135,964	26,250	23.9%
Central Services	247,328	307,671	328,620	20,949	6.8%
Athletic Activities	71,588	90,400	93,321	2,921	3.2%
Support Services - Other	30,000	52,299	46,665	(5,634)	-10.8%
Community Services	5,500	6,152	608	(5,544)	-90.1%
Custody and Care of Children	-	-	236	236	100.0%
Total Expenditure	<u>8,996,596</u>	<u>8,575,163</u>	<u>8,367,970</u>	<u>(207,193)</u>	<u>-4.2%</u>
Excess of Revenue over Expenditures	1,445,437	917,529	980,379	62,850	6.8%
Operating Transfer In/Out	<u>(1,404,230)</u>	<u>(1,261,537)</u>	<u>(1,359,378)</u>	<u>(97,841)</u>	<u>8%</u>
Net Change in Fund Balance	41,207	(344,008)	(378,999)	(34,991)	10.2%
Fund Balance - July 1, 2015	<u>2,140,438</u>	<u>2,140,438</u>	<u>2,140,438</u>	<u>-</u>	<u>0.0%</u>
Fund Balance - June 30, 2016	<u>\$ 2,181,645</u>	<u>\$ 1,796,430</u>	<u>\$ 1,761,439</u>	<u>\$ (34,991)</u>	<u>-1.9%</u>

OTHER SUPPLEMENTAL INFORMATION

VOYAGEUR ACADEMY

Combining Balance Sheet - Non-Major Governmental Funds June 30, 2016

	<u>Special Revenue - Cafeteria</u>	<u>Capital Projects</u>	<u>Total Non Major Governmental Funds</u>
ASSETS			
Investments	\$ -	\$ 100,201	\$ 100,201
Due from Other Governmental Units	26,125	-	26,125
Due from Other Fund	140,676	-	140,676
Total Assets	<u>\$ 166,801</u>	<u>\$ 100,201</u>	<u>\$ 267,002</u>
LIABILITIES AND FUND BALANCES			
Accounts Payable	\$ 106,081	\$ -	\$ 106,081
Total Liabilities	106,081	-	106,081
Fund Balance			
Restricted	60,720	100,201	160,921
Total Fund Balance	<u>60,720</u>	<u>100,201</u>	<u>160,921</u>
Total Liabilities and Fund Balance	<u>\$ 166,801</u>	<u>\$ 100,201</u>	<u>\$ 267,002</u>

VOYAGEUR ACADEMY

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Non-Major Governmental Funds Year Ended June 30, 2016

	Special Revenue Cafeteria	Capital Projects	Total Non Major Governmental Funds
REVENUE			
Federal Sources	\$ 507,321	\$ -	\$ 507,321
State Sources	15,352	-	15,352
Local Sources	-	11	11
Total Revenues	<u>522,673</u>	<u>11</u>	<u>522,684</u>
EXPENDITURES			
<u>Support Services</u>			
Food Services	461,953		461,953
Total Expenditures	<u>461,953</u>	-	<u>461,953</u>
Excess of Revenue over/under Expenditures	60,720	11	60,731
Other Financing Sources			
Operating Transfers In	-	12,640	12,640
Excess of Revenues and Other Financing Sources over Expenditures and Other Uses	60,720	12,651	73,371
Fund Balance - July 1, 2015	<u>-</u>	<u>87,550</u>	<u>87,550</u>
Fund Balance - June 30, 2016	<u>\$ 60,720</u>	<u>\$ 100,201</u>	<u>\$ 160,921</u>