

Voyageur Academy

Detroit, Michigan

Audited Financial Statements

June 30, 2012

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, 2012, which collectively comprise the Academy's basic financial statements listed in the table of contents. These financial statements are the responsibility of Voyageur Academy's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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 Voyageur Academy as of June 30, 2012, and the respective changes in financial position, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 7, 2012 on our consideration of Voyageur Academy's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages iii through vii, and 21, 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Voyageur Academy's financial statements as a whole. The introductory section, combining and individual non major fund statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule 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 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 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 it.



Croskey Lanni, PC

September 7, 2012
Rochester, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2012. 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 S 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 assets and the statement of activities, which appear first in the Academy's financial statements, report information on the Academy as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Academy's net assets - the difference between assets and liabilities, as reported in the statement of net assets - as one way to measure the Academy's financial health or financial position. Over time, increases or decreases in the Academy's net assets - 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 assets 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 assets and the statement of activities) and governmental funds in a reconciliation.

The Academy as a Whole

Recall that the statement of net assets provides the perspective of the Academy as a whole. Following is a summary of the Academy's net assets as of June 30, 2012 and June 30, 2011.

Voyageur Academy's Net Assets

	<u>2012</u>	<u>2011</u>
Current and other assets	\$ 12,579,873	\$ 2,831,381
Capital assets	<u>10,686,633</u>	<u>1,683,866</u>
Total assets	<u>23,266,506</u>	<u>4,515,247</u>
Other liabilities	2,638,643	748,562
Long term debt	<u>17,986,180</u>	<u>32,277</u>
Total liabilities	<u>20,624,823</u>	<u>780,839</u>
Net assets	<u>\$ 2,641,683</u>	<u>\$ 3,734,408</u>

The above analysis focuses on the net assets. The change in net assets (see Statement of Activities schedule) of the Academy's governmental activities is discussed below. The Academy's total net assets were \$2,641,683 at June 30, 2012. Capital assets totaling (\$10,686,633) 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 assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the Academy's ability to use those net assets for day-to-day operations. The Academy has restricted net assets for debt services and capital projects.

The \$2,435,247 in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. The unrestricted net assets 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 assets 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 assets for fiscal year 2012 and 2011.

Revenues:	<u>2012</u>	<u>2011</u>
Program revenues:		
Charges for services	\$ 7,843	\$ 1,610
Federal and state operating grants	1,766,723	2,232,973
General revenues:		
State aid - unrestricted	5,984,415	5,932,636
Interest	-	-
Miscellaneous	69,170	64,558
	<u>7,828,151</u>	<u>8,231,777</u>
Expenses:		
Instruction	3,122,190	3,009,779
Support services	4,396,820	4,548,897
Unallocated depreciation	170,677	169,324
Unallocated interest	1,231,189	7,504
	<u>8,920,876</u>	<u>7,735,504</u>
Increase (decrease) in net assets	<u>\$ (1,092,725)</u>	<u>\$ 496,273</u>

As reported in the statement of activities, the cost of all of our governmental activities this year was \$8,920,86. Certain activities were partially funded by other governments and organizations that subsidize certain programs with grants and contributions (\$1,766,723). We paid for the remaining "public benefit" portion of our governmental activities with \$5,984,415 in state foundation allowance, and with our other revenues, i.e., interest and general entitlements.

The Academy experienced a significant decrease in net assets of \$1,092,725. The key reason for the change in net assets was the increase in unallocated interest due to the construction project.

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 of \$3,028,825, which is an increase of \$912,829 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 2011-2012 General Fund original budget. Budgeted revenues were increased \$439,550 due to an increase in local, state and federal revenue compared to what was originally budgeted.

Budgeted expenditures were increased \$874,328 to account mainly for an increase in salaries and purchased professional services resulting from the Academy's revised operating plan and construction expenditures. The amount of transfers to other funds established in the amended budget was \$1,625,274 and represents support provided by the General Fund to other functions.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2012, the Academy had \$10,686,633 invested in a broad range of capital assets, including land, construction in process, building improvements and furniture and equipment. This amount represents a net increase (including additions, disposals, and depreciation) of approximately \$9,002,766, more than 634% percent, from last year.

This year's additions of \$9,173,498 consisted mainly of land and construction in process.

There is a major capital project planned for the 2012-2013 fiscal year, specifically the construction of a new building. We anticipate capital additions will be less than the 2011-2012 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 2013 fiscal year budget. One of the most important factors affecting the budget is our student count. The state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2013 fiscal year is 10 percent and 90 percent of the February 2012 and September 2012 student counts, respectively. The 2013 budget was adopted in May 2012, based on an estimate of students that will be enrolled in September 2012. Approximately 75 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 2013 school year, we anticipate that the fall student count will be much less than estimates used in creating the 2013 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.

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 ASSETS
JUNE 30, 2012
See Independent Auditor's Report

ASSETS

Current Assets

Cash and cash equivalents	\$ 2,301,117
Investments	8,594,645
Deposits	145,721
Due from other governmental units	1,305,089
Prepaid expenses	233,301
Total current assets	<u>12,579,873</u>

Capital Assets

At cost less accumulated depreciation	<u>10,686,633</u>
Total assets	<u>\$ 23,266,506</u>

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$ 221,784
Due to other governmental units	12,141
Deferred revenue	72,833
Other accrued expenses	2,298,013
Long-term debt - current portion	33,872
Total current liabilities	<u>2,638,643</u>

Long-Term Debt - Long-Term Portion

17,986,180

Net Assets

Invested in capital assets, net of related debt	(7,333,419)
Restricted for debt services	2,451,848
Restricted for capital projects	5,088,007
Unrestricted	2,435,247
Total net assets	<u>2,641,683</u>
Total liabilities and net assets	<u>\$ 23,266,506</u>

See accompanying notes to financial statements

VOYAGEUR ACADEMY

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012
See Independent Auditor's Report

Functions	Expenses	Program Revenues		Net (Expense) Revenues and Changes in Net Assets
		Charges for Services	Operating Grants	Government Type Activities
Basic programs	\$ 2,110,156	\$ -	\$ 87,024	\$ (2,023,132)
Added needs	1,012,034	-	1,012,034	-
Pupil support services	369,873	-	165,092	(204,781)
Instructional staff support services	418,222	-	-	(418,222)
General administration	557,898	-	-	(557,898)
School administration	748,186	-	-	(748,186)
Business support services	197,466	-	-	(197,466)
Operations and maintenance	1,201,973	-	-	(1,201,973)
Pupil transportation services	67,500	-	-	(67,500)
Central support services	197,958	-	-	(197,958)
Athletic activities	65,052	-	-	(65,052)
Food services	309,706	2,642	272,746	(34,318)
Community services	4,391	-	-	(4,391)
Payments to other public schools	229,827	-	229,827	-
Prior period adjustments	28,768	-	-	(28,768)
Unallocated depreciation	170,677	-	-	(170,677)
Unallocated interest	1,231,189	5,201	-	(1,225,988)
Total primary government	<u>\$ 8,920,876</u>	<u>\$ 7,843</u>	<u>\$ 1,766,723</u>	<u>(7,146,310)</u>
General Purpose Revenues:				
State school aid - unrestricted				5,984,415
Gain (loss) on disposal of assets				(55)
Miscellaneous revenues				69,225
Total general purpose revenues				<u>6,053,585</u>
Excess of revenues over expenditures				(1,092,725)
Net assets - July 1, 2011				<u>3,734,408</u>
Net assets - June 30, 2012				<u>\$ 2,641,683</u>

See accompanying notes to financial statements

VOYAGEUR ACADEMY

COMBINED BALANCE SHEET – ALL GOVERNMENTAL FUNDS

JUNE 30, 2012

See Independent Auditor's Report

ASSETS

	General	Debt Service	Capital Projects
Cash and cash equivalents	\$ 2,301,117	\$ -	\$ -
Investments	-	2,451,848	6,142,797
Deposits	6,000	-	139,721
Due from other governmental units	1,305,089	-	-
Prepaid expenses	233,301	-	-
	<u>\$ 3,845,507</u>	<u>\$ 2,451,848</u>	<u>\$ 6,282,518</u>
Total assets	<u>\$ 3,845,507</u>	<u>\$ 2,451,848</u>	<u>\$ 6,282,518</u>

LIABILITIES AND FUND BALANCE

Liabilities

Accounts payable	\$ 221,784	\$ -	\$ -
Due to other governmental units	12,141	-	-
Deferred revenue	72,833	-	-
Other accrued expenses	509,924	-	1,194,511
	<u>816,682</u>	<u>-</u>	<u>1,194,511</u>
Total liabilities	816,682	-	1,194,511

Fund Balance

Nonspendable	239,301	-	-
Restricted	-	2,451,848	5,088,007
Unassigned	2,789,524	-	-
	<u>3,028,825</u>	<u>2,451,848</u>	<u>5,088,007</u>
Total fund balance	3,028,825	2,451,848	5,088,007
	<u>\$ 3,845,507</u>	<u>\$ 2,451,848</u>	<u>\$ 6,282,518</u>
Total liabilities and fund balance	<u>\$ 3,845,507</u>	<u>\$ 2,451,848</u>	<u>\$ 6,282,518</u>

See accompanying notes to financial statements



VOYAGEUR ACADEMY

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

JUNE 30, 2012

See Independent Auditor's Report

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

Total Governmental Fund Balances	\$ 10,568,680
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$11,575,602 and the accumulated depreciation is \$888,969.	10,686,633
Interest is not payable until due in governmental activities and, therefore, is not recorded in the funds.	(593,578)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(18,020,052)</u>
Net Assets of Governmental Activities	<u>\$ 2,641,683</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, 2012
See Independent Auditor's Report

	<u>General</u>	<u>School Service</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Revenues				
Local sources	\$ 69,737	\$ 2,643	\$ 838	\$ 3,850
State sources	6,401,256	19,828	-	-
Federal sources	1,042,730	252,918	-	-
Total governmental fund revenues	7,513,723	275,389	838	3,850
Expenditures				
Basic programs	2,110,156	-	-	-
Added needs	1,012,034	-	-	-
Pupil support services	369,873	-	-	-
Instructional staff support services	418,222	-	-	-
General administration	557,898	-	-	-
School administration	748,186	-	-	-
Business support services	194,478	-	2,988	-
Operations and maintenance	1,201,973	-	-	-
Pupil transportation services	67,500	-	-	-
Central support services	197,958	-	-	-
Athletic activities	65,052	-	-	-
Food services	-	309,706	-	-
Community services	4,391	-	-	-
Payments to other public schools	229,827	-	-	-
Facilities acquisition	453,091	-	686,916	7,988,808
Prior period adjustments	28,768	-	-	-
Capital outlay	44,683	-	-	-
Debt principal and interest	33,221	-	617,321	-
Total governmental fund expenditures	7,737,311	309,706	1,307,225	7,988,808
Excess (deficiency) of revenues over expenditures	(223,588)	(34,317)	(1,306,387)	(7,984,958)
Other Financing Sources (Uses)				
Payments from intermediate school district	34,406	-	-	-
Proceeds from long-term debt	4,793	-	18,435,000	-
Discount on revenue bonds	-	-	(472,265)	-
Operating transfers in	1,663,000	34,317	362,669	15,067,170
Operating transfers out	(565,782)	-	(14,567,169)	(1,994,205)
Total other financing sources (uses)	1,136,417	34,317	3,758,235	13,072,965
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	912,829	-	2,451,848	5,088,007
Fund balance - July 1, 2011	2,115,996	-	-	-
Fund balance - June 30, 2012	<u>\$ 3,028,825</u>	<u>\$ -</u>	<u>\$ 2,451,848</u>	<u>\$ 5,088,007</u>

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, 2012
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 \$ 8,452,684

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	\$ 9,173,498	
Depreciation and amortization expense	(170,677)	
Gain (loss) on disposal of assets	<u>(55)</u>	9,002,766

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. The net effect of these differences in the treatment of general loan obligations is as follows:

Proceeds from long-term debt	\$ (17,967,528)	
Repayment of loan principal	27,012	
Interest expense	<u>(607,659)</u>	<u>(18,548,175)</u>

Change in Net Assets of Governmental Activities \$ (1,092,725)

VOYAGEUR ACADEMY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012 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 August 2008, the Academy entered into a five-year contract 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, 2012 were approximately \$176,500.

In July 2008, the Academy entered into a five-year agreement 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 \$679,500 for the year ended June 30, 2012.

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. The Academy has elected to designate all of its funds as major.

VOYAGEUR ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2012
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.

School Service Fund - The school service fund is used to account for the food service program operations. The school service fund is a subsidiary operation and is an obligation of the general fund. Therefore any shortfall in the school service fund will be covered by an operating transfer from the general fund. The school service 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, 2012
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 Assets 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, 2012
See Independent Auditor's Report

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Net assets should be reported as restricted when constraints placed on net asset 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, 2012 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 2012 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, 2012, 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, 2012
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 Assets

Net assets represent the difference between assets and liabilities. Net assets are 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, 2012
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, 2012
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 school service fund budgets. During the year ended June 30, 2012 the budget was amended in a legally permissible manner. The Academy had expenditures in certain budgetary functions in excess of the amounts appropriated for the year ended June 30, 2012 as detailed on page 21 to these financial statements.

NOTE 3 - DEPOSITS AND INVESTMENTS

As of June 30, 2012 the Academy had the following investments:

<u>Type</u>	<u>S&P Rating</u>	<u>Maturities</u>	<u>Carrying Value</u>
Deposits:			
Demand deposits			\$ 2,301,117
Investments:			
U.S. Treasury and agency obligations	AAAm	Various	<u>8,594,645</u>
Total deposits and investments			<u>\$ 10,895,762</u>

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

Deposits:			
Cash - General Fund			\$ 2,301,117
Investments:			
Investments - Debt Service			2,451,848
Investments - Capital Projects			<u>6,142,797</u>
			<u>8,594,645</u>
Total deposits and investments			<u>\$ 10,895,762</u>

VOYAGEUR ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2012
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, 2012, the Academy's investments were rated AAAM by Standards & Poor's and Aaa by Moody's Investors Service.

Concentration of Credit Risk

The district will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District'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 District's deposits may not be returned to it. As of June 30, 2012, none of the Academy's cash was exposed to custodial credit risk as it was fully insured. All cash balances were uncollateralized as of June 30, 2012.

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 District 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, 2012
See Independent Auditor's Report

NOTE 4 – DUE FROM OTHER GOVERNMENTAL UNITS

Amounts due from other governmental units consist of the following:

Local sources	\$	11,030
State sources		1,178,151
Federal sources		<u>115,908</u>
Total	\$	<u><u>1,305,089</u></u>

NOTE 5 - CAPITAL ASSETS

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

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2012</u>
Building	\$ 439,975	\$ 16,765	\$ -	\$ 456,740
Equipment	527,315	44,683	9,087	562,911
Improvements	37,529	-	-	37,529
Intangibles	-	686,916	-	686,916
Land - nondepreciable	1,164,243	545,946	-	1,710,189
Construction in process	<u>242,129</u>	<u>7,879,188</u>	<u>-</u>	<u>8,121,317</u>
Total cost	2,411,191	9,173,498	9,087	11,575,602
Less accumulated depreciation	<u>727,324</u>	<u>170,677</u>	<u>9,032</u>	<u>888,969</u>
Undepreciated cost	<u>\$ 1,683,867</u>	<u>\$ 9,002,821</u>	<u>\$ 55</u>	<u>\$ 10,686,633</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, 2012
 See Independent Auditor's Report

NOTE 6 – ACCRUED EXPENSES

Accrued expenses may be summarized as follows:

	<u>Net Assets</u>	<u>Funds</u>
Purchased services - payroll and benefits	\$ 477,820	\$ 477,820
University oversight fee	32,104	32,104
Accrued construction costs	1,194,511	1,194,511
Interest	593,578	-
	<hr/>	<hr/>
Total accrued expenses	<u>\$ 2,298,013</u>	<u>\$ 1,704,435</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, 2012:

Loan Information

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Other</u>
Capital lease	3.29%	June, 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.
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, 2012
 See Independent Auditor's Report

NOTE 7 - LONG-TERM OBLIGATIONS PAYABLE - Continued

Loan Activity

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Retirements</u> <u>and Payments</u>	<u>Balance</u> <u>June 30, 2012</u>	<u>Due Within</u> <u>One Year</u>
Capital lease	\$ 65,454	\$ -	\$ 26,605	\$ 38,849	\$ 32,481
Capital lease 2	-	4,793	407	4,386	1,391
Revenue bond	-	18,435,000	-	18,435,000	-
	<u>\$ 65,454</u>	<u>\$ 18,439,793</u>	<u>\$ 27,012</u>	18,478,235	<u>\$ 33,872</u>
Less unamortized discount				<u>458,183</u>	
				<u>\$ 18,020,052</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>
2013	\$ -	\$ 1,424,588
2014	-	1,424,588
2015	195,000	1,417,031
2016	210,000	1,401,338
2017	225,000	1,384,481
2018 - 2022	1,405,000	6,622,869
2023 - 2027	2,050,000	5,961,213
2028 - 2032	2,990,000	4,978,800
2033 - 2037	4,400,000	3,518,000
2038 - 2042	6,960,000	1,371,600

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

2013	\$ 36,405
2014	10,568
2015	<u>1,467</u>
Subtotal	48,440
Less amount representing interest	<u>5,205</u>
Present value of minimum lease payments	<u>\$ 43,235</u>

VOYAGEUR ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
 FOR THE YEAR ENDED JUNE 30, 2012
 See Independent Auditor's Report

NOTE 8 – OPERATING LEASES

The approximate amount of operating lease obligations coming due during the next two years are as follows:

Lease Information

	<u>Maturity Date</u>	<u>Approximate Payment</u>	<u>Other</u>
Facilities Rental - Elementary	June, 2014	\$12,000 yearly	Rent is based upon student count and is equal to 13% of the state aid for the per pupil enrollment. Computed on the fall count and goes in to effect November 1 of each year.
Facilities Rental - High School	August, 2012	\$576,000 yearly	Consortium facility that Academy splits with two other academies. Each academy is jointly and individually liable for all improvements, insurance, taxes, utilities, and repairs related to the facility. Rent is split based upon student count.

The Academy incurred lease expense of approximately \$12,000 and \$499,000 during the year ended June 30, 2012 for the elementary and high school facilities respectively.

The approximate amount of lease obligations coming due during the next three years are as follows:

	<u>Elementary Lease</u>	<u>Consortium Lease</u>
2013	\$ 12,000	\$ 96,000
2014	12,000	-

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. The employer will match up to 6% of employee contributed funds. Eligible employees may contribute up to 15% of their salaries under the terms of this plan.

VOYAGEUR ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2012
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>School Service</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Transfer In	\$ 1,663,000	\$ 34,317	\$ 362,669	15,067,170
Transfer Out	565,782	-	14,567,169	1,994,205

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.

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTAL INFORMATION

To the Board of Directors of Voyageur Academy

We have audited the accompanying financial statements of Voyageur Academy for the year ended June 30, 2012. Our audit was made for the purpose of forming an opinion on the financial statements as a whole. The additional information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Voyageur Academy. This information has been subjected to the procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements as a whole.



Croskey Lanni, PC

September 7, 2012
Rochester, Michigan

VOYAGEUR ACADEMY

REQUIRED SUPPLEMENTAL INFORMATION BUDGETARY COMPARISON SCHEDULE – ALL GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2012

See Independent Auditor's Report on Supplemental Information

	General Fund		
	Original Budget	Final Budget	Actual
Revenues			
Local sources	\$ 4,217	\$ 69,699	\$ 69,737
State sources	6,182,535	6,366,959	6,401,256
Federal sources	936,239	1,125,883	1,042,730
Total governmental fund revenues	7,122,991	7,562,541	7,513,723
Expenditures			
Basic programs	1,947,152	2,170,619	2,110,156
Added needs	934,446	1,023,038	1,012,034
Pupil support services	324,444	370,309	369,873
Instructional staff support services	394,586	466,377	418,222
General administration	579,319	574,090	557,898
School administration	671,006	736,182	748,186
Business support services	210,949	200,356	194,478
Operations and maintenance	1,390,128	1,225,186	1,201,973
Pupil transportation services	38,284	61,474	67,500
Central support services	241,117	258,849	197,958
Athletic activities	45,902	65,615	65,052
Food services	-	-	-
Community services	3,613	5,743	4,391
Payments to other public schools	224,972	228,094	229,827
Facilities acquisition	25,000	472,000	453,091
Prior period adjustments	-	28,768	28,768
Capital outlay	27,264	41,000	44,683
Debt principal and interest	35,686	40,496	33,221
Total governmental fund expenditures	7,093,868	7,968,196	7,737,311
Excess (deficiency) of revenues over expenditures	29,123	(405,655)	(223,588)
Other Financing Sources (Uses)			
Payments from (to) intermediate school district	27,046	32,152	34,406
Proceeds from long-term debt	-	4,793	4,793
Operating transfers in	-	1,663,000	1,663,000
Operating transfers out	(41,647)	(74,671)	(565,782)
Total other financing sources (uses)	(14,601)	1,625,274	1,136,417
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	14,522	1,219,619	912,829
Fund balance - July 1, 2011	1,691,067	2,115,996	2,115,996
Fund balance - June 30, 2012	\$ 1,705,589	\$ 3,335,615	\$ 3,028,825

VOYAGEUR ACADEMY

SCHEDULE OF REVENUES – ALL GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012
See Independent Auditor's Report on Supplemental Information

	General	School Service	Debt Service	Capital Projects
Local Sources				
Authorizer grant	\$ 27,179	\$ -	\$ -	\$ -
Earnings on investments	513	-	838	3,850
School lunch	-	2,643	-	-
Student activities	14,528	-	-	-
Other local revenues	27,517	-	-	-
Total local sources	69,737	2,643	838	3,850
State Sources				
At risk	286,336	-	-	-
School lunch	-	19,828	-	-
Special education	130,505	-	-	-
State aid	5,984,415	-	-	-
Total state sources	6,401,256	19,828	-	-
Federal Sources				
Federal commodities	-	23,316	-	-
IDEA	138,958	-	-	-
National school lunch	-	229,602	-	-
Title I	562,956	-	-	-
Title II A	23,965	-	-	-
Other program revenue	316,851	-	-	-
Total federal sources	1,042,730	252,918	-	-
Total governmental fund revenues	<u>\$ 7,513,723</u>	<u>\$ 275,389</u>	<u>\$ 838</u>	<u>\$ 3,850</u>

VOYAGEUR ACADEMY

SCHEDULE OF EXPENDITURES – ALL GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012
See Independent Auditor's Report on Supplemental Information

	General	School Service	Debt Service	Capital Projects
Basic Programs				
Purchased services	\$ 1,962,302	\$ -	\$ -	\$ -
Supplies and materials	127,852	-	-	-
Other expenditures	20,002	-	-	-
Total basic programs	2,110,156	-	-	-
Added Needs				
Purchased services	979,956	-	-	-
Supplies and materials	32,078	-	-	-
Total added needs	1,012,034	-	-	-
Pupil Support Services				
Guidance services	160,363	-	-	-
Health services	9,849	-	-	-
Psychological services	25,139	-	-	-
Speech pathology and audiology	69,877	-	-	-
Social work services	104,645	-	-	-
Total pupil support services	369,873	-	-	-
Instructional Staff Support Services				
Purchased services	404,020	-	-	-
Supplies and materials	13,858	-	-	-
Other expenditures	344	-	-	-
Total instructional staff support services	418,222	-	-	-
General Administration				
Purchased services	60,674	-	-	-
Management fees	305,795	-	-	-
University oversight	176,495	-	-	-
Rentals	321	-	-	-
Supplies and materials	4,413	-	-	-
Other expenditures	10,200	-	-	-
Total general administration	557,898	-	-	-

VOYAGEUR ACADEMY

SCHEDULE OF EXPENDITURES – ALL GOVERNMENTAL FUNDS - CONTINUED FOR THE YEAR ENDED JUNE 30, 2012

See Independent Auditor's Report on Supplemental Information

School Administration

Purchased services	652,537	-	-	-
Rentals	12,911	-	-	-
Supplies and materials	55,864	-	-	-
Other expenditures	26,874	-	-	-
Total school administration	748,186	-	-	-

Business Support Services

Purchased services	194,478	-	-	-
Other expenditures	-	-	2,988	-
Total business support services	194,478	-	2,988	-

Operations and Maintenance

Purchased services	173,013	-	-	-
Repairs and maintenance	338,510	-	-	-
Rentals	545,707	-	-	-
Supplies and materials	103,607	-	-	-
Other expenditures	41,136	-	-	-
Total operations and maintenance	1,201,973	-	-	-

Pupil Transportation Services

	67,500	-	-	-
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Central Support Services

Purchased services	197,369	-	-	-
Supplies and materials	589	-	-	-
Total central support services	197,958	-	-	-

Athletic Activities

Purchased services	28,306	-	-	-
Rentals	1,167	-	-	-
Supplies and materials	27,274	-	-	-
Other expenditures	8,305	-	-	-
Total athletic activities	65,052	-	-	-

VOYAGEUR ACADEMY

SCHEDULE OF EXPENDITURES – ALL GOVERNMENTAL FUNDS - CONTINUED FOR THE YEAR ENDED JUNE 30, 2012

See Independent Auditor's Report on Supplemental Information

Food Services

Purchased services	-	281,057	-	-
Supplies and materials	-	27,760	-	-
Other expenditures	-	889	-	-
Total food services	-	309,706	-	-

Community Services

	4,391	-		
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Payments To Other Public Schools

	229,827	-	-	-
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Facilities Acquisition

	453,091	-	686,916	7,988,808
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Prior Period Adjustments

	28,768	-	-	-
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Capital Outlay

	44,683	-	-	-
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Debt Principal and Interest

	33,221	-	617,321	-

Total governmental fund expenditures	\$ 7,737,311	\$ 309,706	\$ 1,307,225	\$ 7,988,808

APPENDIX

Federal Awards

Supplemental Information

VOYAGEUR ACADEMY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2012

Program Title/Project Number Subrecipient Name	CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue at July 1, 2011	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2012
US Department of Agriculture								
Passed through Michigan								
Department of Education:								
Child Nutrition Cluster								
School Breakfast Program	10.553	\$ 28,263	-	\$ -	-	\$ 28,263	\$ 28,782	\$ 519
National School Lunch Program	10.555	194,616	-	-	-	194,616	200,821	6,205
Entitlement 11-12	10.555	22,628	-	-	-	22,628	22,628	-
Bonus	10.555	687	-	-	-	687	687	-
Total US Department of Agriculture, Passed through Michigan								
Department of Education		246,194	-	-	-	246,194	252,918	6,724
US Department of Education								
Passed through the Wayne County RESA								
I.D.E.A. Cluster								
10-11 Flowthrough	84.027	126,640	126,640	17,017	-	17,017	-	-
11-12 Flowthrough		121,660	-	-	-	100,683	121,660	20,977
ARRA 10-11 Flowthrough	84.391	133,796	72,705	72,704	-	90,002	17,298	-
Total US Department of Education								
Passed through Wayne County RESA		382,096	199,345	89,721	-	207,702	138,958	20,977
US Department of Education								
Mentoring Grant	84.215E	399,951	389,913	13,299	-	309,172	316,851	20,978
Q215E090032-10								
Total US Department of Education								
		399,951	389,913	13,299	-	309,172	316,851	20,978

VOYAGEUR ACADEMY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - Continued
FOR THE YEAR ENDED JUNE 30, 2012

Program Title/Project Number Subrecipient Name	CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue at July 1, 2011	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2012
US Department of Education								
Passed through Michigan								
Department of Education								
Title I								
111530 1011	84.010	567,202	413,360	50,732	-	53,732	3,000	-
121530 1112		521,612	-	-	-	438,694	504,617	65,923
Title I - ARRA								
111535 1011	84.389	275,006	213,291	39,217	-	94,557	55,340	-
Total Title I Cluster		1,363,820	626,651	89,949	-	586,983	562,957	65,923
ARRA Stabilization								
112525 1011	84.394	92,187	92,187	14,633	-	14,633	-	-
112525 1011		-	-	-	-	-	-	-
Title II A								
110520 1011		100,456	38,652	4,588	-	8,189	3,601	-
120520 1112		87,495	-	-	-	19,057	20,363	1,306
Total US Department of Education								
Passed through Michigan								
Department of Education								
Total federal awards		\$ 2,672,199	\$ 1,346,748	\$ 212,190	\$ -	\$ 1,391,930	\$ 1,295,648	\$ 115,908

VOYAGEUR ACADEMY

RECONCILIATION OF BASIC FINANCIAL STATEMENTS FEDERAL REVENUE WITH SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2012

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

General Fund	\$ 1,042,730
School Service Fund	<u>252,918</u>
Federal expenditures per the schedule of expenditures of federal awards	<u>\$ 1,295,648</u>

VOYAGEUR ACADEMY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2012

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, 2012. 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.

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 the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Voyageur Academy as of and for the year ended June 30, 2012, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated September 7, 2012. 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.

Internal Control Over Financial Reporting

Management of Voyageur Academy is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Voyageur Academy's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Voyageur Academy's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of our obtaining reasonable assurance about whether Voyageur Academy's financial statements are free of 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*.

This report is intended solely for the information and use of management, the board of directors, the Michigan Department of Education, federal awarding agencies, pass-through entities, and others within the entity and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in blue ink that reads "Croskey Lanni, PC". The signature is written in a cursive style with a large initial "C".

Croskey Lanni, PC

September 7, 2012
Rochester, Michigan

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

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

Compliance

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, 2012. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of Voyageur Academy's management. Our responsibility is to express an opinion on Voyageur Academy's compliance based on our audit.

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. Our audit does not provide a legal determination of Voyageur Academy's compliance with those requirements.

In our opinion, Voyageur Academy complied, in all material respects, with the 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, 2012. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2012-1.

Internal Control Over Compliance

Management of Voyageur Academy is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Voyageur Academy's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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 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.

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 that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above.

Voyageur Academy's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Voyageur Academy's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the Board of Directors, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Croskey Lanni, PC

September 7, 2012
Rochester, Michigan

VOYAGEUR ACADEMY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

A. Summary of the auditor's results:

1. The auditor's report expresses an unqualified opinion on the Academy's financial statements.
2. No significant deficiencies in the internal control were disclosed by the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of Voyageur Academy, which would be required to be reported in accordance with *Government Auditing Standards* were disclosed during the audit.
4. No significant deficiencies in the internal control over major programs were disclosed by the audit.
5. The auditor's report on compliance for the major federal award programs for Voyageur Academy expresses an unqualified opinion on all major federal programs.
6. The audit did disclose findings which were required to be reported.
7. The programs tested as a major program included: Title I (84.010) ARRA Title I (84.389), IDEA (84.027), and ARRA IDEA (84.391).
8. The threshold used to distinguish between Type A and Type B programs is \$300,000.
9. The Academy has met all of the conditions required for qualification as a low-risk auditee.

B. There are no findings relating to the financial statements which are required to be reported in accordance with GAGAS.

C. There were findings and questioned costs for Federal Awards.

VOYAGEUR ACADEMY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued FOR THE YEAR ENDED JUNE 30, 2012

**Reference
Number**

Findings

2012-01

Program Name – CFDA # 84.010 Title I

Pass-Through Entity – Michigan Department of Education

Finding Type – Immaterial Noncompliance – Special Tests and Provisions

Criteria – Academy must spend 1% of its total Title I allocation on parent involvement activities.

Condition – The Academy did not spend 1% of its total Title I allocation on parent involvement activities.

Questioned Costs – None

Cause / Effect – The Academy did not comply with one of the grant requirements.

Recommendation – The Academy should implement additional internal controls and procedures to ensure that money is expended according to grant requirements.

Auditee Response – The auditee agrees with the finding. The Academy will implement additional internal controls to ensure that all money is expended according to grant requirements.