

# Voyageur Academy

Detroit, Michigan

Audited Financial Statements

June 30, 2013

CROSKEY LANNI, PC  
CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

## CONTENTS

	<u>Page</u>
<b>Independent Auditor’s Report</b>	i – iii
<b>Management’s Discussion and Analysis</b>	iv - viii
<b>Basic Financial Statements</b>	
Statement of Net Position	1
Statement of Activities	2
Reconciliation of Net Position	3
Combined Balance Sheet – All Governmental Funds	4
Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities	5
Statement of Revenues, Expenditures and Changes in Fund Balance – All Governmental Funds	6
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities	7
Notes to Financial Statements	8 - 21
<b>Supplemental Information</b>	
Budgetary Comparison Schedule – General Fund	22
Schedule of Revenues – General Fund	23
Schedule of Expenditures – General Fund	24 - 26

## CONTENTS – Continued

	<u>Page</u>
<b>Appendix- Federal Awards Report</b>	
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 <i>Government Auditing Standards</i>	A-1 – A-2
Independent Auditor’s Report on Compliance For Each Major Program and On Internal Control Over Compliance Required By OMB Circular A-133	A-3 – A-4
Schedule of Expenditures of Federal Awards	A- 5– A-6
Reconciliation of Basic Financial Statements Federal Receivables and Revenues with Schedule of Expenditures of Federal Awards	A-7
Notes to Schedule of Expenditures of Federal Awards	A-8
Schedule of Findings and Questioned Costs	A-9 - A-12
Summary Schedule of Prior Audit Findings	A-13
Corrective Action Plan	A-14

## 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, 2013, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

#### **Management's Responsibility for the Financial Statements**

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

#### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are the appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities, each major fund, and the aggregate remaining fund information of Voyageur Academy, as of June 30, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages iv – viii and 22 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provided any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Voyageur Academy's basic financial statements. The introductory section, combining and individual non-major fund financial statements and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

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

### **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated October 15, 2013, on our consideration of Voyageur Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Voyageur Academy's internal control over financial reporting and compliance.

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

Croskey Lanni, PC

October 15, 2013  
Rochester, Michigan

This section of the Voyageur Academy annual financial report presents our discussion and analysis of the Academy's financial performance during the year ended June 30, 2013. Please read it in conjunction with the Academy's financial statements, which immediately follow this section.

### **Using this Annual Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Voyageur Academy financially as a whole. The Academy-wide financial statements provide information about the activities of the whole Academy, presenting both an aggregate view of the Academy's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the Academy's operations in more detail than the Academy-wide financial statements by providing information about the Academy's most significant funds - the General Fund, with all other funds presented in one column as non-major funds.

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

#### Basic Financial Statements

*Academy-wide Financial Statements*      *Fund Financial Statements*

*Notes to the Basic Financial Statements*

*(Required Supplemental Information)*  
*Budgetary Information for Major Funds*

*Other Supplemental Information*

### ***Reporting the Academy as a Whole - Academy-wide Financial Statements***

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

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

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

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

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

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

### **The Academy as a Whole**

Recall that the statement of net position provides the perspective of the Academy as a whole. Following is a summary of the Academy's net position as of June 30, 2013 and June 30, 2012.

#### Voyageur Academy's Net position

	<u>2013</u>	<u>2012</u>
Current and other assets	\$ 4,763,428	\$ 12,579,873
Capital assets	<u>15,297,872</u>	<u>9,999,717</u>
Total assets	<u>20,061,300</u>	<u>22,579,590</u>
Other liabilities	1,373,490	2,638,643
Long term debt	18,020,492	17,986,180
Deferred inflows	<u>6,117</u>	<u>-</u>
Total liabilities	<u>19,400,099</u>	<u>20,624,823</u>
Net position	<u>\$ 661,201</u>	<u>\$ 1,954,767</u>

The above analysis focuses on the net position. The change in net position (see Statement of Activities schedule) of the Academy's governmental activities is discussed below. The Academy's total net position was \$661,201 at June 30, 2013. Capital assets totaling (\$2,744,495) compares the original cost, less depreciation of the Academy's capital assets to long-term debt used to finance the acquisition of those assets. The Academy has outstanding long-term debt. Restricted net position are reported separately to show legal constraints from debt covenants and enabling legislation that limit the Academy's ability to use those net position for day-to-day operations. The Academy has restricted net position for debt services and capital projects.

The \$898,095 in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. The unrestricted net position balance enables the Academy to meet working capital and cash flow requirements as well as to provide for future uncertainties. The operating results of the General Fund will have a significant impact on the change in unrestricted net position from year to year.

The results of this year's operations for the Academy as a whole are reported in the statement of activities, which shows the changes in net position for fiscal year 2013 and 2012.

Revenues:	<u>2013</u>	<u>2012</u>
Program revenues:		
Charges for services	\$ 5,151	\$ 1,610
Federal and state operating grants	1,804,092	2,232,973
General revenues:		
State aid - unrestricted	7,123,100	5,932,636
Interest	-	-
Miscellaneous	135,043	64,558
Total revenues	<u>9,067,386</u>	<u>8,231,777</u>
Expenses:		
Instruction	3,677,701	3,009,779
Support services	4,640,424	4,548,897
Unallocated depreciation	580,337	169,324
Unallocated interest	1,472,524	7,504
Total expenses	<u>10,370,986</u>	<u>7,735,504</u>
Increase (decrease) in net position	<u>\$ (1,303,600)</u>	<u>\$ 496,273</u>

As reported in the statement of activities, the cost of all of our governmental activities this year was \$10,370,986. Certain activities were partially funded by other governments and organizations that subsidized certain programs with grants and contributions (\$1,804,092). We paid for the remaining “public benefit” portion of our governmental activities with \$7,123,100 in state foundation allowance, and with our other revenues, i.e., interest and general entitlements.

The Academy experienced a significant decrease in net position of \$1,303,600. 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 \$1,601,724, which is a decrease of \$1,427,101 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 2012-2013 General Fund original budget. Budgeted revenues were decreased \$1,043,425 due to a decrease in enrollment from what was originally budgeted.

Budgeted expenditures were decreased \$1,190,687 to account mainly for a decrease in salaries and purchased professional services resulting from the Academy’s revised operating plan. The amount of transfers to other funds established in the amended budget was \$2,258,891 and represents support provided by the General Fund to other functions.

### **Capital Assets and Debt Administration**

#### ***Capital Assets***

As of June 30, 2013, the Academy had \$15,297,872 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 \$5,288,123, more than 52% percent, from last year.

This year’s additions of \$5,960,343 consisted mainly of building and furniture and equipment.

There are no major capital projects planned for the 2013-2014 fiscal year. We anticipate capital additions will be significantly less than the 2012-2013 fiscal year. We present more detailed information about our capital assets in the notes to the financial statements.

## **Economic Factors and Next Year's Budgets and Rates**

Our elected officials and administration consider many factors when setting the Academy's 2014 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 2014 fiscal year is 10 percent and 90 percent of the February 2014 and October 2013 student counts, respectively. The 2014 budget was adopted in June 2013, based on an estimate of students that will be enrolled in October 2013. Approximately 80 percent of total General Fund revenue is from the foundation allowance. As a result, Academy funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2014 school year, we anticipate that the fall student count will be less than estimates used in creating the 2014 budget. Once the final student count and related per pupil funding is validated, State law requires the Academy to amend the budget if actual Academy resources are not sufficient to fund original appropriations.

Since the Academy's revenue is heavily dependent on State funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to academies. The State periodically holds a revenue-estimating conference to estimate revenues. Based on the results of the most recent conference, the State estimates funds are sufficient to fund the appropriation.

# VOYAGEUR ACADEMY

## STATEMENT OF NET POSITION

JUNE 30, 2013

See Independent Auditor's Report

### ASSETS AND DEFERRED OUTFLOWS

#### Current Assets

Cash and cash equivalents	\$ 537,661
Investments - restricted for debt service and capital projects	2,507,601
Accounts receivable	13,289
Deposits	6,000
Due from other governmental units	1,575,698
Prepaid expenses	123,179
	<hr/>
Total current assets	4,763,428

#### Capital Assets - Net of Accumulated depreciation

---

15,297,872

Total assets and deferred outflows

\$ 20,061,300

### LIABILITIES, DEFERRED INFLOWS AND NET POSITION

#### Current Liabilities

Accounts payable	\$ 280,011
Other accrued expenses	1,071,604
Long-term debt - current portion	21,875
	<hr/>
Total current liabilities	1,373,490

#### Long-Term Debt - Long-Term Portion

18,020,492

#### Deferred Inflows

Grant funds paid in advance of meeting timing requirements	6,117
--	-------

#### Net Position

Net investment in capital assets	(2,744,495)
Restricted for debt services and capital projects	2,507,601
Unrestricted	898,095
	<hr/>
Total net position	661,201

Total liabilities, deferred inflows and net position

\$ 20,061,300

See accompanying notes to financial statements

## VOYAGEUR ACADEMY

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2013  
See Independent Auditor's Report

	Program Revenues		Net (Expense) Revenues and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants
			Government Type Activities
<b>Functions</b>			
Instruction			
Basic programs	\$ 2,602,701	\$ -	\$ 354,761
Added needs	1,075,000	-	1,075,000
Support services			
Pupil support services	298,470	-	-
Instructional staff support services	524,746	-	-
General administration	634,170	-	-
School administration	724,883	-	-
Business support services	245,351	-	-
Operations and maintenance	1,311,330	-	-
Pupil transportation services	64,623	-	-
Central support services	217,155	-	-
Athletic activities	62,305	-	-
Food services	476,436	3,400	374,331
Community services	5,234	-	-
Payments to other public schools	72,721	-	-
Prior period adjustments	3,000	-	-
Unallocated depreciation	580,337	-	-
Unallocated interest	1,472,524	1,751	-
Total primary government	\$ 10,370,986	\$ 5,151	\$ 1,804,092
<b>General Purpose Revenues</b>			
State school aid - unrestricted			7,123,100
Miscellaneous revenues			135,043
Total general purpose revenues			7,258,143
Change in net position			\$ (1,303,600)

See accompanying notes to financial statements

## VOYAGEUR ACADEMY

### RECONCILIATION OF NET POSITION

JUNE 30, 2013

See Independent Auditor's Report

Net position - July 1, 2012	\$ 2,641,683
Prior period adjustment	
Changes were made to reflect the effect of implementing GASB Statement No. 65 - <i>Items Previously Reported as Assets and Liabilities</i> . This statement requires that bond issue costs be shown as current period outflows of resources (expenses).	<u>(676,882)</u>
July 1, 2012, as adjusted	1,964,801
Change in net position	<u>(1,303,600)</u>
Net position - June 30, 2013	<u><u>\$ 661,201</u></u>

## VOYAGEUR ACADEMY

### COMBINED BALANCE SHEET – ALL GOVERNMENTAL FUNDS

JUNE 30, 2013

See Independent Auditor's Report

#### ASSETS

	General	Debt Service	Capital Projects	Total
Cash and cash equivalents	\$ 537,661	\$ -	\$ -	\$ 537,661
Investments	-	2,397,354	110,247	2,507,601
Accounts receivable	13,289	-	-	13,289
Deposits	6,000	-	-	6,000
Due from other governmental units	1,575,698	-	-	1,575,698
Prepaid expenses	123,179	-	-	123,179
	<u>\$ 2,255,827</u>	<u>\$ 2,397,354</u>	<u>\$ 110,247</u>	<u>\$ 4,763,428</u>
Total assets	<u>\$ 2,255,827</u>	<u>\$ 2,397,354</u>	<u>\$ 110,247</u>	<u>\$ 4,763,428</u>

#### LIABILITIES AND FUND BALANCE

##### Liabilities

Accounts payable	\$ 280,011	\$ -	\$ -	\$ 280,011
Unearned revenue	6,117	-	-	6,117
Other accrued expenses	367,975	-	50,365	418,340
	<u>654,103</u>	<u>-</u>	<u>50,365</u>	<u>704,468</u>
Total liabilities	<u>654,103</u>	<u>-</u>	<u>50,365</u>	<u>704,468</u>

##### Fund Balance

Nonspendable	129,179	-	-	129,179
Restricted	-	2,397,354	59,882	2,457,236
Unassigned	1,472,545	-	-	1,472,545
	<u>1,601,724</u>	<u>2,397,354</u>	<u>59,882</u>	<u>4,058,960</u>
Total fund balance	<u>1,601,724</u>	<u>2,397,354</u>	<u>59,882</u>	<u>4,058,960</u>
	<u>\$ 2,255,827</u>	<u>\$ 2,397,354</u>	<u>\$ 110,247</u>	<u>\$ 4,763,428</u>
Total liabilities and fund balance	<u>\$ 2,255,827</u>	<u>\$ 2,397,354</u>	<u>\$ 110,247</u>	<u>\$ 4,763,428</u>

See accompanying notes to financial statements



## VOYAGEUR ACADEMY

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

JUNE 30, 2013

See Independent Auditor's Report

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

<b>Total Governmental Fund Balances</b>	\$ 4,058,960
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$16,387,194 and the accumulated depreciation is \$1,089,322.	15,297,872
Interest is not payable until due in governmental activities and, therefore, is not recorded in the funds.	(653,264)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(18,042,367)</u>
<b>Net Position of Governmental Activities</b>	<u><u>\$ 661,201</u></u>

## VOYAGEUR ACADEMY

STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE – ALL GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013  
See Independent Auditor's Report

	General	Debt Service	Capital Projects	Non-Major Special Revenue	Total
<b>Revenues</b>					
Local sources	\$ 135,405	\$ 622	\$ 767	\$ 3,400	\$ 140,194
State sources	7,695,897	-	-	11,145	7,707,042
Federal sources	818,624	-	-	363,186	1,181,810
Interdistrict sources	25,051	-	-	-	25,051
Prior period adjustments	13,289	-	-	-	13,289
Total governmental fund revenues	<u>8,688,266</u>	<u>622</u>	<u>767</u>	<u>377,731</u>	<u>9,067,386</u>
<b>Expenditures</b>					
Instruction					
Basic programs	2,602,701	-	-	-	2,602,701
Added needs	1,075,000	-	-	-	1,075,000
Support services					
Pupil support services	298,470	-	-	-	298,470
Instructional staff support services	524,746	-	-	-	524,746
General administration	634,170	-	-	-	634,170
School administration	724,883	-	-	-	724,883
Business support services	234,637	10,714	-	-	245,351
Operations and maintenance	1,311,330	-	-	-	1,311,330
Pupil transportation services	64,623	-	-	-	64,623
Central support services	217,155	-	-	-	217,155
Athletic activities	62,305	-	-	-	62,305
Food services	-	-	-	476,436	476,436
Community services	5,234	-	-	-	5,234
Payments to other public schools	72,721	-	-	-	72,721
Facilities acquisition	56,537	-	5,556,396	-	5,612,933
Prior period adjustments	3,000	-	-	-	3,000
Capital outlay	209,478	-	-	10,940	220,418
Debt principal and interest	671,859	810,212	-	-	1,482,071
Total governmental fund expenditures	<u>8,768,849</u>	<u>820,926</u>	<u>5,556,396</u>	<u>487,376</u>	<u>15,633,547</u>
Excess (deficiency) of revenues over expenditures	(80,583)	(820,304)	(5,555,629)	(109,645)	(6,566,161)
<b>Other Financing Sources (Uses)</b>					
Proceeds from long-term debt	56,441	-	-	-	56,441
Operating transfers in	-	804,028	538,218	109,645	1,451,891
Operating transfers out	(1,402,959)	(38,218)	(10,714)	-	(1,451,891)
Total other financing sources (uses)	<u>(1,346,518)</u>	<u>765,810</u>	<u>527,504</u>	<u>109,645</u>	<u>56,441</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	(1,427,101)	(54,494)	(5,028,125)	-	(6,509,720)
Fund balance - July 1, 2012	3,028,825	2,451,848	5,088,007	-	10,568,680
Fund balance - June 30, 2013	<u>\$ 1,601,724</u>	<u>\$ 2,397,354</u>	<u>\$ 59,882</u>	<u>\$ -</u>	<u>\$ 4,058,960</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, 2013  
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** \$ (6,509,720)

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	\$ 5,833,351	
Depreciation and amortization expense	<u>(580,337)</u>	5,253,014

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	\$ (56,441)	
Repayment of loan principal	49,903	
Interest expense	<u>(40,356)</u>	<u>(46,894)</u>

**Change in Net Position of Governmental Activities** \$ (1,303,600)

See accompanying notes to financial statements

# VOYAGEUR ACADEMY

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013 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 March 2009, the Academy entered into a five-year contract through June 30, 2014 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, 2013 were approximately \$212,900.

In November 2012, the Academy entered into a contract extension agreement through June 30, 2014 with The Leona Group, L.L.C. Under the terms of this agreement, The Leona Group, L.L.C. provides a variety of services including financial management, educational programs and consulting, as well as teacher training. The Academy is obligated to pay The Leona Group, L.L.C. ten percent of the Academy's gross revenues. The gross revenues include all receipts of the Academy, excluding any proceeds from borrowings undertaken by the Academy. The total paid for these services amounted to approximately \$807,800 for the year ended June 30, 2013.

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

#### **Fund Financial Statements**

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

## VOYAGEUR ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2013  
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, 2013  
See Independent Auditor's Report

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

### Government-Wide Financial Statements

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

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

## **VOYAGEUR ACADEMY**

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2013  
See Independent Auditor's Report

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

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

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

#### **Cash and Cash Equivalents**

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

#### **Receivables**

Receivables at June 30, 2013 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 2013 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, 2013, 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, 2013  
See Independent Auditor's Report

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

### Capital Assets and Depreciation

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

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

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

### Accrued Liabilities and Long-Term Obligations

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

### Net Position

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

### Fund Equity

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

## VOYAGEUR ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2013  
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.

#### Accounting Change

Effective July 1, 2012, the Academy implemented the provisions of Governmental Accounting Standards Board No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement incorporates into GASB literature certain accounting and financial reporting guidance issued on or before November 30, 1989 that is included in FASB Statements and Interpretations, APB Opinions, and Accounting Research Bulletins of the AICPA Committee on Accounting Procedure. This statement did not have significant impact on the Academy's financial statements.

Effective July 1, 2012, the Academy implemented the provisions of Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement incorporates deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, into the definitions of the required components of the residual measure of net position, formerly net assets. This statement also provided a new statement of net position, format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position. This statement impacted the format and report of the balance sheet at the government-wide and also the fund level.

## VOYAGEUR ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2013  
See Independent Auditor's Report

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Also effective July, 1, 2012, the Academy implemented the provisions of Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows and inflows of resources, certain items that were previously reported as assets and liabilities. This statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources.

#### 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.

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, 2013 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, 2013 as detailed on page 22 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&amp;P Rating</u>	<u>Maturities</u>	<u>Carrying Value</u>
Deposits:			
Demand deposits			\$ 537,661
Investments:			
U.S. Treasury and agency obligations	AAAm	Various	<u>2,507,601</u>
Total deposits and investments			<u>\$ 3,045,262</u>

## VOYAGEUR ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2013  
See Independent Auditor's Report

### NOTE 3 - DEPOSITS AND INVESTMENTS - Continued

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

Deposits:	
Cash - General Fund	\$ 537,661
Investments:	
Investments - Debt Service	2,397,354
Investments - Capital Projects	<u>110,247</u>
	<u>2,507,601</u>
Total deposits and investments	<u>\$ 3,045,262</u>

#### 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, 2013, 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, 2013, \$205,066 of the Academy's cash was exposed to custodial credit risk. All cash balances were uncollateralized as of June 30, 2013.

## VOYAGEUR ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2013  
See Independent Auditor's Report

### NOTE 3 - DEPOSITS AND INVESTMENTS - Continued

#### 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.

### NOTE 4 – DUE FROM OTHER GOVERNMENTAL UNITS

Amounts due from other governmental units consist of the following:

Local sources	\$ 7,456
State sources	1,390,339
Federal sources	<u>177,903</u>
Total	<u>\$ 1,575,698</u>

## VOYAGEUR ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued  
 FOR THE YEAR ENDED JUNE 30, 2013  
 See Independent Auditor's Report

### NOTE 5 - CAPITAL ASSETS

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

	<u>Balance July 1, 2012</u>	<u>Additions</u>	<u>Transfers</u>	<u>Disposals</u>	<u>Balance June 30, 2013</u>
Capital assets not subject to depreciation					
Land	\$ 1,710,188	\$ -	\$ 17,458	\$ 91,883	\$ 1,635,763
Construction in progress	8,121,318	-	(8,121,318)	-	-
Capital assets subject to depreciation					
Building	456,740	3,991,202	7,920,706	359,908	12,008,740
Educational media and textbooks	-	48,400	-	-	48,400
Furniture and equipment	562,911	1,036,361	183,154	-	1,782,426
Improvements	37,529	884,380	-	10,044	911,865
Sub-total	10,888,686	5,960,343	-	461,835	16,387,194
Accumulated depreciation					
Building	424,987	265,219	-	359,908	330,298
Educational media and textbooks	-	8,000	-	-	8,000
Furniture and equipment	436,472	257,859	-	-	694,331
Improvements	17,478	49,259	-	10,044	56,693
Sub-total	878,937	580,337	-	369,952	1,089,322
Total net capital assets	<u>\$ 10,009,749</u>	<u>\$ 5,380,006</u>	<u>\$ -</u>	<u>\$ 91,883</u>	<u>\$ 15,297,872</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, 2013  
 See Independent Auditor's Report

### NOTE 6 – ACCRUED EXPENSES

Accrued expenses may be summarized as follows:

	<u>Net Position</u>	<u>Funds</u>
Purchased services - payroll and benefits	\$ 300,751	\$ 300,751
University oversight fee	38,724	38,724
Accrued construction costs	78,865	78,865
Interest	653,264	-
	<hr/>	<hr/>
Total accrued expenses	<u>\$ 1,071,604</u>	<u>\$ 418,340</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, 2013:

#### 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.
Capital lease 3	11.13%	October, 2015	Consortium equipment lease that Academy splits with two other academies. Each academy is jointly and individually liable for all payments. Lease obligation and payments are split according to pupil counts.
Revenue bond	Average Rate of 7.88%	July, 2041	Interest payable twice yearly and principal once yearly. Secured by facilities and pledge for 20% of State school aid payments.

## VOYAGEUR ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued  
 FOR THE YEAR ENDED JUNE 30, 2013  
 See Independent Auditor's Report

### NOTE 7 - LONG-TERM OBLIGATIONS PAYABLE - Continued

#### Loan Activity

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Retirements</u> <u>and Payments</u>	<u>Balance</u> <u>June 30, 2013</u>	<u>Due Within</u> <u>One Year</u>
Capital lease	\$ 38,849	\$ -	\$ 36,193	\$ 2,656	\$ 2,656
Capital lease 2	4,386	-	1,517	2,869	1,615
Capital lease 3	-	56,441	12,193	44,248	17,604
Revenue bond	18,435,000	-	-	18,435,000	-
	<u>\$ 18,478,235</u>	<u>\$ 56,441</u>	<u>\$ 49,903</u>	18,484,773	<u>\$ 21,875</u>
Less unamortized discount				442,406	
				<u>\$ 18,042,367</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>
2014	\$ -	\$ 1,424,588
2015	195,000	1,417,031
2016	210,000	1,401,338
2017	225,000	1,384,481
2018	240,000	1,366,463
2019 - 2023	1,515,000	6,509,719
2024 - 2028	2,210,000	5,795,500
2029 - 2033	3,230,000	4,730,000
2034 - 2038	4,750,000	3,152,000
2039 - 2042	5,860,000	898,800

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

2014	\$ 26,936
2015	23,125
2016	<u>6,732</u>
Subtotal	56,793
Less amount representing interest	<u>7,020</u>
Present value of minimum lease payments	<u>\$ 49,773</u>

## VOYAGEUR ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2013  
See Independent Auditor's Report

### NOTE 8 – OPERATING LEASES

#### Lease Information

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

The Academy incurred lease expense of approximately \$12,000 and \$93,000 during the year ended June 30, 2013 for the elementary and high school facilities respectively. The lease of the High School facility was on a month to month basis which ceased upon completion of the Academy constructed High School.

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

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

## VOYAGEUR ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2013  
See Independent Auditor's Report

### NOTE 10 - INTERFUND TRANSFERS

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

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Transfer In	\$ -	\$ 109,645	\$ 804,028	\$ 538,218
Transfer Out	1,402,959	-	38,218	10,714

As stipulated by the Academy's revenue bond agreement as described in Note 7, the Academy must transfer 20% of its state aid to a trustee. The trustee retains the required portion for debt service and returns the remainder to the Academy.

### NOTE 11 - RISK MANAGEMENT

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

### NOTE 12 – SUBSEQUENT EVENTS

The Academy, in response to the internal control findings detailed within this financial statement, has commissioned a forensic audit of certain areas of its operations. As of the date of these financial statements the audit was still in progress and the findings from these procedures, if any, cannot be reasonably determined.

# SUPPLEMENTAL INFORMATION

## VOYAGEUR ACADEMY

REQUIRED SUPPLEMENTAL INFORMATION  
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2013  
See Independent Auditor’s Report

	Original Budget	Final Budget	Actual	Variance
<b>Revenues</b>				
Local sources	\$ 26,125	\$ 134,016	\$ 135,405	\$ 1,389
State sources	8,961,694	7,706,571	7,695,897	(10,674)
Federal sources	750,335	854,690	818,624	(36,066)
Interdistrict sources	29,169	28,621	25,051	(3,570)
Prior period adjustments	-	-	13,289	13,289
<b>Total general fund revenues</b>	<b>9,767,323</b>	<b>8,723,898</b>	<b>8,688,266</b>	<b>(35,632)</b>
<b>Expenditures</b>				
Instruction				
Basic programs	3,902,392	2,621,216	2,602,701	(18,515)
Added needs	1,151,927	1,006,989	1,075,000	68,011
Support services				
Pupil support services	426,213	292,063	298,470	6,407
Instructional staff support services	591,305	564,546	524,746	(39,800)
General administration	775,289	632,229	634,170	1,941
School administration	792,463	736,930	724,883	(12,047)
Business support services	273,527	241,948	234,637	(7,311)
Operations and maintenance	829,273	1,323,213	1,311,330	(11,883)
Pupil transportation services	63,320	58,100	64,623	6,523
Central support services	342,636	228,136	217,155	(10,981)
Athletic activities	81,491	58,994	62,305	3,311
Community services	11,483	5,505	5,234	(271)
Payments to other public schools	43,245	72,721	72,721	-
Facilities acquisition	42,000	213,100	56,537	(156,563)
Prior period adjustments	-	3,000	3,000	-
Capital outlay	156,740	258,378	209,478	(48,900)
Debt principal and interest	86,886	62,435	671,859	609,424
<b>Total general fund expenditures</b>	<b>9,570,190</b>	<b>8,379,503</b>	<b>8,768,849</b>	<b>389,346</b>
Excess (deficiency) of revenues over expenditures	197,133	344,395	(80,583)	(424,978)
<b>Other Financing Sources (Uses)</b>				
Proceeds from long-term debt	-	56,441	56,441	-
Operating transfers out	(124,785)	(2,258,891)	(1,402,959)	855,932
<b>Total other financing sources (uses)</b>	<b>(124,785)</b>	<b>(2,202,450)</b>	<b>(1,346,518)</b>	<b>855,932</b>
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	72,348	(1,858,055)	(1,427,101)	430,954
Fund balance - July 1, 2012	3,028,825	3,028,825	3,028,825	-
Fund balance - June 30, 2013	\$ 3,101,173	\$ 1,170,770	\$ 1,601,724	\$ 430,954

## VOYAGEUR ACADEMY

### SCHEDULE OF REVENUES – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2013 See Independent Auditor’s Report

<b>Local Sources</b>	
Authorizer grant	\$ 965
Earnings on investments	362
Student activities	91,534
Other local revenues	<u>42,544</u>
Total local sources	135,405
<b>State Sources</b>	
At risk	429,599
Special education	143,198
State aid	<u>7,123,100</u>
Total state sources	7,695,897
<b>Federal Sources</b>	
IDEA	125,218
Title I	554,420
Title II A	44,861
Other program revenue	<u>94,125</u>
Total federal sources	818,624
<b>Interdistrict Sources</b>	25,051
<b>Prior Period Adjustments</b>	<u>13,289</u>
Total general fund revenues	<u>\$ 8,688,266</u>

## VOYAGEUR ACADEMY

SCHEDULE OF EXPENDITURES – GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2013  
See Independent Auditor's Report

### Basic Programs

Purchased services	\$ 2,096,554
Supplies and materials	244,278
Other expenditures	<u>261,869</u>
Total basic programs	2,602,701

### Added Needs

Purchased services	1,012,607
Supplies and materials	13,993
Non-depreciable capital assets	<u>48,400</u>
Total added needs	1,075,000

### Pupil Support Services

Guidance services	52,565
Health services	7,298
Psychological services	21,382
Speech pathology and audiology	109,049
Social work services	90,900
Other pupil services	<u>17,276</u>
Total pupil support services	298,470

### Instructional Staff Support Services

Purchased services	517,920
Supplies and materials	6,490
Other expenditures	<u>336</u>
Total instructional staff support services	524,746

### General Administration

Purchased services	40,394
Management fees	363,498
University oversight	212,886
Supplies and materials	6,692
Other expenditures	<u>10,700</u>
Total general administration	634,170

## VOYAGEUR ACADEMY

SCHEDULE OF EXPENDITURES – GENERAL FUND - Continued  
FOR THE YEAR ENDED JUNE 30, 2013  
See Independent Auditor's Report

### School Administration

Purchased services	632,165
Rentals	12,055
Supplies and materials	42,907
Other expenditures	37,756
	<hr/>
Total school administration	724,883

### Business Support Services

Purchased services	233,033
Other expenditures	1,604
	<hr/>
Total business support services	234,637

### Operations and Maintenance

Purchased services	335,573
Repairs and maintenance	728,773
Rentals	146,700
Supplies and materials	76,245
Non-depreciable capital assets	2,429
Other expenditures	21,610
	<hr/>
Total operations and maintenance	1,311,330

### Pupil Transportation Services

64,623

### Central Support Services

Purchased services	213,529
Supplies and materials	3,626
	<hr/>
Total central support services	217,155

### Athletic Activities

Purchased services	28,376
Supplies and materials	29,047
Other expenditures	4,882
	<hr/>
Total athletic activities	62,305

## VOYAGEUR ACADEMY

SCHEDULE OF EXPENDITURES – GENERAL FUND - Continued  
FOR THE YEAR ENDED JUNE 30, 2013  
See Independent Auditor’s Report

<b>Community Services</b>	5,234
<b>Payments To Other Public Schools</b>	72,721
<b>Facilities Acquisition</b>	56,537
<b>Prior Period Adjustments</b>	3,000
<b>Capital Outlay</b>	209,478
<b>Debt Principal and Interest</b>	<u>671,859</u>
Total general fund expenditures	<u>\$ 8,768,849</u>

# APPENDIX

## Federal Awards

### Supplemental Information

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Voyageur Academy, as of and for the year ended June 30, 2013 and the related notes to the financial statements, which collectively comprise Voyageur Academy's basic financial statements, and have issued our report thereon dated October 15, 2013.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs we identified certain deficiencies internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses and are listed as items 2013-1 & 2013-2.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Voyageur Academy’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2013-3.

**Voyageur Academy’s Response to Finding**

Voyageur Academy’s response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Voyageur Academy’s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly we express no opinion on it.

**Purpose of this Report**

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



Croskey Lanni, PC

October 15, 2013  
Rochester, Michigan

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

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

**Report on Compliance for Each Major Federal Program**

We have audited Voyageur Academy's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Voyageur Academy's major federal programs for the year ended June 30, 2013. Voyageur Academy's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

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

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

**Opinion on Each Major Federal Program**

In our opinion, Voyageur Academy, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

## **Report on Internal Control Over Compliance**

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

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

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

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



Croskey Lanni, PC

October 15, 2013  
Rochester, Michigan

**VOYAGEUR ACADEMY**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2013

<u>Program Title/Project Number Subrecipient Name</u>	<u>CFDA Number</u>	<u>Approved Awards Amount</u>	<u>(Memo Only) Prior Year Expenditures</u>	<u>Accrued (Deferred) Revenue at July 1, 2012</u>	<u>Adjustments and Transfers</u>	<u>Federal Funds/ Payments In-kind Received</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue at June 30, 2013</u>
<b>US Department of Agriculture</b>								
<b>Passed through Michigan</b>								
<b>Department of Education:</b>								
<b>Child Nutrition Cluster</b>								
School Breakfast Program	10.553	\$ 25,506	\$ -	\$ 519	\$ -	\$ 25,507	\$ 24,988	\$ -
National School Lunch Program	10.555	331,264	-	6,205	-	331,264	325,059	-
Entitlement 12-13	10.555	13,139	-	-	-	13,139	13,139	-
<b>Total US Department of Agriculture, Passed through Michigan Department of Education</b>		369,909	-	6,724	-	369,910	363,186	-
<b>US Department of Education</b>								
<b>Passed through the Wayne County RESA</b>								
<b>I.D.E.A. Cluster</b>								
	84.027							
11-12 Flowthrough		121,660	121,660	20,977	-	20,977	-	-
12-13 Flowthrough		125,218	-	-	-	102,881	125,218	22,337
<b>Total US Department of Education Passed through Wayne County RESA</b>		246,878	121,660	20,977	-	123,858	125,218	22,337
<b>US Department of Education</b>								
<b>Mentoring Grant</b>								
	84.215E							
Q215E090032-12		399,951	-	20,978	-	20,978	-	-
Q215E090032-13		399,951	-	-	-	94,125	94,125	-
<b>Total US Department of Education</b>		799,902	-	20,978	-	115,103	94,125	-

**VOYAGEUR ACADEMY**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - Continued  
FOR THE YEAR ENDED JUNE 30, 2013

<u>Program Title/Project Number Subrecipient Name</u>	<u>CFDA Number</u>	<u>Approved Awards Amount</u>	<u>(Memo Only) Prior Year Expenditures</u>	<u>Accrued (Deferred) Revenue at July 1, 2012</u>	<u>Adjustments and Transfers</u>	<u>Federal Funds/ Payments In-kind Received</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue at June 30, 2013</u>
<b>US Department of Education</b>								
<b>Passed through Michigan</b>								
<b>Department of Education</b>								
<b>Title I</b>	84.010							
121530 1112		654,454	504,617	65,923	-	89,737	23,814	-
131530 1213		<u>727,480</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>462,150</u>	<u>530,606</u>	<u>68,456</u>
Total Title I Cluster		1,381,934	-	65,923	-	551,887	554,420	68,456
<b>Title II A</b>	84.367							
120520 1112		87,495	3,601	-	-	4,708	3,402	-
130520 1213		<u>73,528</u>	<u>-</u>	<u>1,306</u>	<u>-</u>	<u>38,768</u>	<u>41,459</u>	<u>2,691</u>
<b>Total US Department of Education Passed through Michigan Department of Education</b>		<u>1,542,957</u>	<u>3,601</u>	<u>67,229</u>	<u>-</u>	<u>595,363</u>	<u>599,281</u>	<u>71,147</u>
Total federal awards		<u>\$ 2,959,646</u>	<u>\$ 125,261</u>	<u>\$ 115,908</u>	<u>\$ -</u>	<u>\$ 1,204,234</u>	<u>\$ 1,181,810</u>	<u>\$ 93,484</u>

## VOYAGEUR ACADEMY

### RECONCILIATION OF BASIC FINANCIAL STATEMENTS FEDERAL RECEIVABLES AND REVENUE WITH SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2013

#### Revenues to Expenditures

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

General Fund	\$ 818,624
Special Revenue Fund	<u>363,186</u>

Federal expenditures per the schedule of expenditures of federal awards	<u><u>\$ 1,181,810</u></u>
---	----------------------------

#### Receivables

Receivable from federal sources - As reported on financial statements	\$ 177,903
---	------------

Timing differences between MDE payment and Academy receipt	<u>84,419</u>
--	---------------

Federal receivables per schedule of expenditure of federal awards	<u><u>\$ 93,484</u></u>
---	-------------------------

## VOYAGEUR ACADEMY

### NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2013

#### **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, 2013. Expenditures reported on the Schedule are reported on the same basis of accounting as the basic financial statements, although the basis for determining when federal awards are expended is presented in accordance with requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. In addition, expenditures reported on the Schedule are recognized following the cost principles contained in OMB Circular A-87, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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

#### **NOTE 2 - NONCASH ASSISTANCE**

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

#### **NOTE 3 - GRANT AUDITOR'S REPORT**

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

# VOYAGEUR ACADEMY

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

### SECTION I - SUMMARY OF THE AUDITOR'S RESULTS

#### *Financial Statements*

Internal control over financial reporting:

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

#### *Federal Awards*

Internal control over major programs:

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

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
# 10.555	Child Nutrition Cluster
# 84.010	Title I

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

Auditee qualified as low-risk auditee?   X  yes     no

## VOYAGEUR ACADEMY

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued FOR THE YEAR ENDED JUNE 30, 2013

**Reference  
Number**

**Findings**

2013-01

**Finding Type** – Material weakness in internal controls

**Criteria** – Proper procedures should be consistently followed in regards to the collection of cash for petty cash, the uniform store, athletic gate receipts, facility rental, and the candy store.

**Condition** – Cash was collected for all of the above areas and was not consistently receipted making it impossible to prove the amount collected and ensure that all amounts were deposited within an Academy approved financial institution. The lack of application of internal control did not leave the necessary accounting trail in order to ensure that amounts are appropriately accounted for.

**Cause / Effect** – Cash proceeds that are being collected are not being handled and accounted for in an appropriate manner. In severe cases, the collection of cash without proper procedure could lead to misappropriation of resources and go undetected. It is evident that established internal controls are not being consistently followed and amounts are not being consistently recorded within the financial record.

**Recommendation** – The Academy should review its procedures and ensure that internal controls are being followed consistently.

**Auditee Response** - The Academy is reviewing its internal controls. Additionally, the Academy will implement and enforce corrective action procedures and policies to provide assurance for reliability of financial reports, effective and efficient operations and compliance with laws and regulations. The Academy's procedures and policies for collection of cash will be written and communicated to all departments. Quarterly reports of all cash receipts will be furnished to the Board of Directors for review and an annual audit of cash receipts will be performed by the Academy's auditor. In addition, a more in depth review of the Academy's cash receipts will be performed to review past cash transactions in order to identify problem areas to be corrected. The Academy will work closely with its Educational Service Provider through this process to provide review and oversight for all cash receipts of the Academy.

## VOYAGEUR ACADEMY

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued FOR THE YEAR ENDED JUNE 30, 2013

**Reference  
Number**

**Findings**

2013-02

**Finding Type** – Material weakness in internal controls

**Criteria** – Proper procedures should be consistently followed in regards to the expenditure for goods and services.

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

**Cause / Effect** – Cash is being used to purchase items that are not subject to established procedures. In severe cases, the payment of non approved items could lead to misappropriation of resources and go undetected. It is evident that established internal controls are not being consistently followed in regards to these types of transactions.

**Recommendation** – The Academy should review its procedures and ensure that internal controls are being followed consistently.

**Auditee Response** – With respect to cash expenditures of the Academy an in depth review of all cash expenditures during the audit year is being performed to identify the expenditures and determine why established procedures were not followed. The Academy will review, and revise where appropriate, its current procedures and assure that all procedures are written and properly communicated to all departments. Cash expenditures should be at a minimum and avoided when possible. Quarterly reports of cash expenditures will be provided to the Academy Board and an annual audit of cash expenditures will be performed by the Academy's auditor. The Academy will work closely with its Educational Service Provider through this process to provide review and oversight for all cash expenditures by the Academy.

## VOYAGEUR ACADEMY

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued FOR THE YEAR ENDED JUNE 30, 2013

**Reference  
Number**

**Findings**

2013-03

**Finding Type** – Noncompliance

**Criteria** – The Michigan Public School Accounting Manual, Section IV, indicates that, when used appropriately, a budget provides the school board and administration with the ability to control and evaluate the use of the district's funds.

**Condition** – Final revenues and expenditures in certain budgetary categories were in excess of amounts appropriated.

**Cause / Effect** – The budget while amended during the year, did not accurately reflect actual revenues and expenditures. The effect was a violation of state law.

**Recommendation** – The Academy should fully review the actual revenues and expenditures and in response amend the budget accordingly in order to comply with state law.

**Auditee Response** – The auditee agrees with the finding. The Academy has since evaluated and revised procedures to ensure that budgets are properly and timely reviewed throughout the year.

## VOYAGEUR ACADEMY

### SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2013

---

**1) *Audit findings that have been fully corrected:***

**Fiscal Year:** 2012

**Finding Number:** 2012-01

**Finding:** Academy must spend 1% of its total Title I allocation on parent involvement activities

**CFDA Number:** 84.010

**Comments:** The Academy has implemented additional internal controls to ensure that all money is expended according to grant requirements.

---

**2) *Audit findings not corrected or partially corrected:*** None

**Voyageur Academy  
Corrective Action Plan  
For the Financial Statements**

<i><b>Findings and Recommendations</b></i>	<i><b>Corrective Action Plan</b></i>	<i><b>Responsible Department</b></i>	<i><b>Responsible Person</b></i>	<i><b>Planned Completion Date (TBD or Date)</b></i>
<p><b>2013-01 and 2013-02: Cash Transactions</b></p> <p><b>Finding Type: Material Weakness; Financial Reporting</b></p> <p><b><u>Condition:</u></b></p> <p>Cash was collected for certain areas within the Academy and was not consistently receipted making it impossible to prove the amount collected and to ensure that all amounts were deposited within an Academy approve financial institution. The lack of application of internal control did not leave the necessary accounting trail in order to ensure that amounts are appropriately accounted for.</p> <p><b><u>Recommendation:</u></b></p> <p>The Academy should review its procedures and ensure that internal controls are adequate and in turn being consistently followed.</p>	<p>The Educational Service Provider will ensure that existing policies for cash transactions are communicated to everyone that would have reason to handle cash. This will include the following:</p> <ol style="list-style-type: none"> <li>1. Distribute written procedures to appropriate parties.</li> <li>2. Communicate the importance of following the procedures, emphasizing separation of duties where applicable.</li> <li>3. Continue to review past transactions to identify problem areas and to determine the extent of problem.</li> </ol>	<p>Budget and Finance Department of the Educational Service Provider</p>	<p>School leader of the Academy, along with input and guidance from the Educational Service Provider.</p>	<p>Ongoing</p>