

Audited Financial Statements

Voyageur Academy

Detroit, Michigan

June 30, 2018

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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, 2018, and the related notes to the financial statements, which collectively comprise Voyageur Academy's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Voyageur Academy as of June 30, 2018, and the respective changes in financial position, thereof 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, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and the other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Voyageur Academy's basic financial statements. The introductory section, combining and individual non-major fund financial statements, and statistical section, are presented for purpose 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 *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual non-major fund financial statements and the schedules 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 the 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 November 1, 2018 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Voyageur Academy's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Voyageur Academy's internal control over financial reporting and compliance.



Croskey Lanni, PC

November 1, 2018
Rochester, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Voyageur Academy's, annual financial report presents our discussion and analysis of the school's financial performance during the fiscal year that ended on June 30, 2018. Please read it in conjunction with the school's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

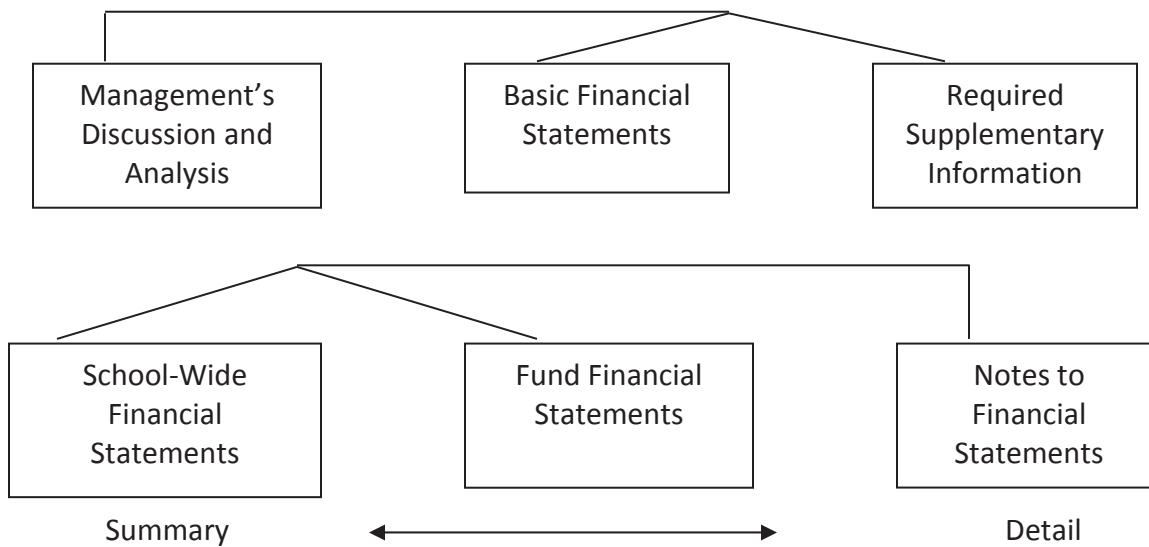
- ❖ The total cost of basic programs was \$3,600,686.
- ❖ General fund revenues were at \$10,948,911 while expenses were \$9,649,331.
 - Blended enrollment used for state aid purposes was 1157.61 students.
- ❖ The school has a positive General Fund balance of \$1,079,195.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the school:

- The first two statements are school-wide financial statements that provide both short-term and long-term information about the school's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the school, reporting the school's operations in more detail.
- The governmental fund statements tell how basic services like regular and special education were financed.
- Fiduciary funds statements provide information about the financial relationships in which the school acts solely as a trustee or agent for the benefit of others. These consist of student activity funds held by the school on behalf of the student group.

Figure A-1
Organization of Voyageur's Annual Financial Report



The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the school's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-2
Major Features of School-Wide and Fund Financial Statements

	School-Wide Statements	Government Funds	Fiduciary Funds
Scope	Entire school (except fiduciary funds)	The activities of the school that are not proprietary or fiduciary, such as special education and building maintenance.	Instances in which the school administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required Financial Statements	*Statement of net position *Statement of activities	*Balance sheet *Statement of revenues, expenditures and changes in fund balances	*Statement of fiduciary net position *Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

Figure A-2 summarizes the major features of the school's financial statements, including the portion of the schools activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

SCHOOL-WIDE STATEMENTS

The school-wide statements report information about the school as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the school's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two school-wide statements report the school's net position and how they have changed. Net position – the difference between the school's assets and liabilities – are one way to measure the school's financial health or position.

- ❖ Over time, increases or decreases in the school's assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- ❖ To assess the overall health of the school, you need to consider additional non-financial factors such as changes in the school's enrollment and the condition of school buildings and other facilities.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the school's funds, focusing on its most significant or "major" funds – not the school as a whole. Funds are accounting devices the school uses to keep track of specific sources of funding and spending on particular programs:

- ❖ *Governmental activities* – Most of the school's basic services are included in the general fund, such as regular and special education and administration. State foundation aid finances most of these activities.
- ❖ The school establishes other funds to control and manage money for particular purposes (like repaying its long-term debts) or to show that it is properly using certain revenues.

The school has two kinds of funds:

- ❖ *Governmental funds* – Most of the school's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the school's programs. Because this information does not encompass the additional long-term focus of the school-wide statements, we provide additional information with governmental funds statements that explains the relationship (or differences) between them.
- ❖ *Fiduciary funds* – The school is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. We exclude these activities from the school-wide financial statements because the school cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

The school's financial position is the product of many factors.

School Governmental

The stability of the school's finances is a result of the following measures:

- ❖ Spending is controlled to insure that it aligns with revenues received from the State.
- ❖ Refinancing the Bonds will allow the school to operate more efficiently.

General Fund Budgetary Analysis

Over the course of the year, the school reviewed the annual operating budget monthly and amended the budget quarterly. All invoices were paid in a timely matter.

Financial Outlook

Voyageur Academy's financial forecast continues to be optimistic heading into the 2018/2019 school year.

- ❖ Enrollment is anticipated to remain constant for the 2018-2019 school year.

Figure A-3
Voyageur Academy's Net Position

	2018	2017
Current and other assets	\$ 4,850,416	\$ 4,912,223
Capital assets	<u>12,336,291</u>	<u>12,875,167</u>
Total assets	<u>17,186,707</u>	<u>17,787,390</u>
Long-term debt outstanding	17,065,000	17,425,702
Other liabilities	<u>2,441,755</u>	<u>1,747,333</u>
Total liabilities	<u>19,506,755</u>	<u>19,173,035</u>
Net position	<u>\$ (2,320,048)</u>	<u>\$ (1,385,645)</u>

Figure A-4
Changes in Voyageur Academy's Net Position

	2018	2017
Revenues:		
Program revenues:		
Charges for services	\$ -	\$ 4,475
Federal and state operating grants	2,674,923	2,600,280
General revenues:		
State aid - unrestricted	8,796,414	8,627,059
Miscellaneous	125,250	55,261
Total revenues	<u>11,596,587</u>	<u>11,287,075</u>
Expenses:		
Instruction	4,361,248	4,197,268
Support services	6,131,319	5,755,021
Interest on long-term debt	1,453,978	1,392,266
Unallocated depreciation	584,445	581,783
Total expenses	<u>12,530,990</u>	<u>11,926,338</u>
Change in net position	<u><u>\$ (934,403)</u></u>	<u><u>\$ (639,263)</u></u>

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2018, the school had invested \$16,525,229 in capital assets, including equipment and a building. See figure A-5 below for a listing of capital assets, and the accumulated depreciation.

Figure A-5
Voyageur Academy's Capital Assets

	Balance	Balance
	June 30, 2018	June 30, 2017
Land	\$ 1,635,763	\$ 1,635,763
Building	12,937,225	12,937,225
Equipment and furniture	<u>1,952,241</u>	<u>1,906,672</u>
Subtotal	16,525,229	16,479,660
Less: accumulated depreciation	<u>4,188,938</u>	<u>3,604,493</u>
Total net capital assets	<u><u>\$ 12,336,291</u></u>	<u><u>\$ 12,875,167</u></u>

FACTORS BEARING ON THE SCHOOL'S FUTURE

- Maintenance of current enrollment.
- Aligning expenditures with available revenue sources.

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our students, parents and creditors with a general overview of the school's finances and to demonstrate the school's accountability for the money it receives. If you have questions about this report or need additional information, contact the management office at:

The Romine Group 7877 Stead, Utica, MI 48317 (586)731-5300

VOYAGEUR ACADEMY

STATEMENT OF NET POSITION JUNE 30, 2018

ASSETS AND DEFERRED OUTFLOWS

Current Assets

Cash and cash equivalents	\$ 701,520
Investments - restricted for debt service and capital projects	2,228,241
Accounts receivable	26,125
Due from other governmental units	1,859,242
Inventory	<u>35,288</u>
 Total current assets	 4,850,416
 Capital Assets - Net of Accumulated Depreciation	 <u>12,336,291</u>
 Total assets and deferred outflows	 <u>\$ 17,186,707</u>

LIABILITIES, DEFERRED INFLOWS AND NET POSITION

Current Liabilities

Accounts payable	\$ 710,166
Due to other governmental units	500,000
Other accrued expenses	1,231,589
Long-term debt - current portion	<u>80,000</u>
 Total current liabilities	 2,521,755

Long-Term Debt - Long-Term Portion

16,985,000

Net Position

Net investment in capital assets	(4,728,709)
Restricted for debt services and capital projects	2,228,241
Unrestricted	<u>180,420</u>
 Total net position	 (2,320,048)
 Total liabilities, deferred inflows and net position	 <u>\$ 17,186,707</u>

See accompanying notes to financial statements

VOYAGEUR ACADEMY

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2018

	Program Revenues			Net (Expense) Revenues and Changes in Position	
	Expenses	Charges for Services	Operating Grants	Government	
				Type Activities	
Functions					
Instruction					
Basic programs	\$ 3,600,686	\$ -	\$ 305,713	\$ (3,294,973)	
Added needs	760,532	-	630,891	(129,641)	
Support services					
Pupil support services	681,753	-	345,070	(336,683)	
Instructional staff support services	584,842	-	438,317	(146,525)	
General administration	1,540,685	-	10,000	(1,530,685)	
School administration	721,036	-	21,438	(699,598)	
Business support services	167,388	-	-	(167,388)	
Operations and maintenance	1,052,672	-	191,616	(861,056)	
Pupil transportation services	272,768	-	2,200	(270,568)	
Central support services	304,785	-	-	(304,785)	
Athletic activities	69,631	-	-	(69,631)	
Food services	637,993	-	632,674	(5,319)	
Community services	97,796	-	97,004	(792)	
Unallocated depreciation	584,445	-	-	(584,445)	
Unallocated interest	1,453,978	-	-	(1,453,978)	
Total primary government	<u>\$ 12,530,990</u>	<u>\$ -</u>	<u>\$ 2,674,923</u>	<u>(9,856,067)</u>	
General Purpose Revenues					
State school aid - unrestricted				8,796,414	
Miscellaneous revenues				<u>125,250</u>	
Total general purpose revenues				<u>8,921,664</u>	
Change in net position				(934,403)	
Net position - July 1, 2017				<u>(1,385,645)</u>	
Net position - June 30, 2018				<u>\$ (2,320,048)</u>	

See accompanying notes to financial statements

VOYAGEUR ACADEMY

COMBINED BALANCE SHEET – ALL GOVERNMENTAL FUNDS JUNE 30, 2018

ASSETS

	General	Debt Service	Non-Major	Total
Cash and cash equivalents	\$ 555,461	\$ -	\$ 146,059	\$ 701,520
Investments	-	2,103,278	124,963	2,228,241
Accounts receivable	26,125	-	-	26,125
Due from other governmental units	1,856,390	-	2,852	1,859,242
Due from other funds	5,659	17,005	-	22,664
Inventory	<u>35,288</u>	<u>-</u>	<u>-</u>	<u>35,288</u>
Total assets	<u>\$ 2,478,923</u>	<u>\$ 2,120,283</u>	<u>\$ 273,874</u>	<u>\$ 4,873,080</u>

LIABILITIES AND FUND BALANCE

Liabilities

Accounts payable	\$ 655,357	\$ -	\$ 54,809	\$ 710,166
Due to other governmental units	-	500,000	-	500,000
Due to other funds	17,005	-	5,659	22,664
Other accrued expenses	<u>727,366</u>	<u>-</u>	<u>8,466</u>	<u>735,832</u>
Total liabilities	<u>1,399,728</u>	<u>500,000</u>	<u>68,934</u>	<u>1,968,662</u>

Fund Balance

Restricted	-	1,620,283	204,940	1,825,223
Unassigned	<u>1,079,195</u>	<u>-</u>	<u>-</u>	<u>1,079,195</u>
Total fund balance	<u>1,079,195</u>	<u>1,620,283</u>	<u>204,940</u>	<u>2,904,418</u>
Total liabilities and fund balance	<u>\$ 2,478,923</u>	<u>\$ 2,120,283</u>	<u>\$ 273,874</u>	<u>\$ 4,873,080</u>

See accompanying notes to financial statements

VOYAGEUR ACADEMY

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET POSITION OF GOVERNMENTAL ACTIVITIES JUNE 30, 2018

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

Total Governmental Fund Balances	\$ 2,904,418
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$16,525,229 and the accumulated depreciation is \$4,188,938.	12,336,291
Interest is not payable until due in governmental activities and, therefore, is not recorded in the funds.	(495,757)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(17,065,000)</u>
Net Position of Governmental Activities	<u>\$ (2,320,048)</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, 2018

	General	Debt Service	Non-Major	Total
Revenues				
Local sources	\$ 138,574	\$ 8,185	\$ 722	\$ 147,481
State sources	9,783,341	-	21,930	9,805,271
Federal sources	<u>1,026,996</u>	<u>-</u>	<u>639,070</u>	<u>1,666,066</u>
Total governmental fund revenues	<u>10,948,911</u>	<u>8,185</u>	<u>661,722</u>	<u>11,618,818</u>
Expenditures				
Instruction				
Basic programs	3,600,686	-	-	3,600,686
Added needs	760,532	-	-	760,532
Support services				
Pupil support services	681,753	-	-	681,753
Instructional staff support services	584,842	-	-	584,842
General administration	1,308,623	232,062	-	1,540,685
School administration	721,036	-	-	721,036
Business support services	148,638	18,750	-	167,388
Operations and maintenance	1,052,672	-	-	1,052,672
Pupil transportation services	272,768	-	-	272,768
Central support services	304,785	-	-	304,785
Athletic activities	69,631	-	-	69,631
Food services	-	-	637,993	637,993
Community services	97,796	-	-	97,796
Capital outlay	45,569	-	-	45,569
Debt principal and interest	<u>-</u>	<u>19,014,481</u>	<u>-</u>	<u>19,014,481</u>
Total governmental fund expenditures	<u>9,649,331</u>	<u>19,265,293</u>	<u>637,993</u>	<u>29,552,617</u>
Excess (deficiency) of revenues over expenditures	1,299,580	(19,257,108)	23,729	(17,933,799)
Other Financing Sources (Uses)				
Proceeds from long-term debt	-	17,065,000	-	17,065,000
Operating transfers in	9,744	2,379,326	25,000	2,414,070
Operating transfers out	<u>(1,603,931)</u>	<u>(800,395)</u>	<u>(9,744)</u>	<u>(2,414,070)</u>
Total other financing sources (uses)	<u>(1,594,187)</u>	<u>18,643,931</u>	<u>15,256</u>	<u>17,065,000</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	(294,607)	(613,177)	38,985	(868,799)
Fund balance - July 1, 2017	<u>1,373,802</u>	<u>2,233,460</u>	<u>165,955</u>	<u>3,773,217</u>
Fund balance - June 30, 2018	<u>\$ 1,079,195</u>	<u>\$ 1,620,283</u>	<u>\$ 204,940</u>	<u>\$ 2,904,418</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, 2018

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

Net Change in Fund Balances - Total Governmental Funds	\$ (868,799)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation and amortization expense. This is the amount by which capital outlays exceeded depreciation and amortization in the current period

Capital outlay	\$ 45,569	
Depreciation and amortization expense	<u>(584,445)</u>	(538,876)

Revenue is reported in the statement of activities when earned, but not reported in the funds until collected or collectible within 60 days of year end

(22,231)

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	\$ (17,065,000)	
Repayment of loan principal	17,805,000	
Interest expense	<u>(244,497)</u>	<u>495,503</u>

Change in Net Position of Governmental Activities	<u>\$ (934,403)</u>
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See accompanying notes to financial statements

VOYAGEUR ACADEMY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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, and began operation in July 1998.

In May 2014, the Academy entered into a six-year contract, expiring June 30, 2019, with Ferris State University's Board of Trustees 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 Trustees 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 Trustees three percent of state aid as administrative fees. Total administrative fees paid for the year ended June 30, 2018 were approximately \$266,600.

In May 2017, the Academy entered into a one-year agreement with American Promise Schools. Under the terms of this agreement, American Promise Schools provides a variety of services including financial management, educational programs and consulting, as well as teacher training. The Academy was obligated to pay American Promise Schools nine percent of its gross revenue, excluding certain “other revenue” sources. The total paid for these services amounted to approximately \$981,200 for the year ended June 30, 2018.

In June 2018, the Academy entered into a one-year agreement with The Romine Group, Inc. Under the terms of this agreement, The Romine Group, Inc. provides a variety of services including financial management, educational programs and consulting, as well as teacher training. The Academy is obligated to pay The Romine Group, Inc. nine and one-half percent of its state school aid revenue. There were no payments paid or owed to The Romine Group, Inc for the 2017/2018 school year.

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, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Basis of Presentation – Fund Accounting

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

Governmental Funds

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

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

Special Revenue Fund - The special revenue fund is used to account for the food service program operations. The special revenue fund is a subsidiary operation and is an obligation of the general fund. Therefore any shortfall in the special revenue fund will be covered by an operating transfer from the general fund.

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 currently 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.

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

- 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.

VOYAGEUR ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

- b. Payments for inventoriable 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. In creating the government-wide financial statements the Academy has eliminated inter-fund transactions. 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.

Net position should be reported as restricted when constraints placed on net position's use is 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.

VOYAGEUR ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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, 2018 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 2018 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, 2018, 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.

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.

VOYAGEUR ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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, deferred outflows and liabilities, and deferred inflows. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors or laws or 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.

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.

VOYAGEUR ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

- 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. There are no governmental funds with a deficit.

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 a general fund budget. During the year ended June 30, 2018 the budget was amended in a legally permissible manner. During the year ended June 30, 2018 the Academy incurred expenditures in certain budgetary functions that were in excess of the amounts appropriated however total expenditures were less than total board appropriations, as detailed on page 19 of these financial statements.

VOYAGEUR ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued FOR THE YEAR ENDED JUNE 30, 2018

NOTE 3 - DEPOSITS AND INVESTMENTS

As of June 30, 2018, the Academy had the following investments:

Type	S&P Rating	Maturities	Carrying Value
Deposits:			
Demand deposits			\$ 701,520
Investments:			
U.S. Treasury and agency obligations	AAA	Various	<u>2,228,241</u>
Total deposits and investments			<u>\$ 2,929,761</u>

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

Deposits:	
Cash - General fund	\$ 555,461
Cash - Special revenue fund	<u>146,059</u>
Total cash	701,520
Investments:	
Investments - Debt service fund	2,103,278
Investments - Capital projects fund	<u>124,963</u>
Total investments	<u>2,228,241</u>
Total deposits and investments	<u>\$ 2,929,761</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, 2018, the Academy's investments were rated AAA by Standards & Poor's and Aaa-mf by Moody's Investors Service.

VOYAGEUR ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued FOR THE YEAR ENDED JUNE 30, 2018

NOTE 3 - DEPOSITS AND INVESTMENTS - Continued

Concentration of Credit Risk

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

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. As of June 30, 2018, \$481,238 of the Academy's cash was exposed to custodial credit risk because it was uninsured. All cash balances were uncollateralized as of June 30, 2018.

Custodial Credit Risk - Investments

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

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

Foreign Currency Risk

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

Fair Value

Generally accepted accounting principles define fair value, establish a framework for measuring fair value, and establish a fair value hierarchy that prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Academy has the ability to access.
- b. Level 2 inputs are inputs (other than quoted prices included within Level 1) that are observable for the asset or liability, either directly or indirectly.
- c. Level 3 are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability. (The observable inputs should be developed based on the best information available in the circumstances and may include the Academy's own data.)

VOYAGEUR ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued FOR THE YEAR ENDED JUNE 30, 2018

NOTE 4 – DUE FROM OTHER GOVERNMENTAL UNITS

Amounts due from other governmental units consist of the following:

State sources		\$ 1,791,075
Federal sources		<u>68,167</u>
Total		<u>\$ 1,859,242</u>

NOTE 5 - CAPITAL ASSETS

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

	Balance July 1, 2017	Additions	Disposals	Balance June 30, 2018
Capital assets not subject to depreciation				
Land	\$ 1,635,763	\$ -	\$ -	\$ 1,635,763
Capital assets subject to depreciation				
Building	12,025,360	-	-	12,025,360
Educational Media and Textbooks	48,400	-	-	48,400
Furniture and Equipment	1,858,272	45,569	-	1,903,841
Improvements	<u>911,865</u>	<u>-</u>	<u>-</u>	<u>911,865</u>
Sub-total	16,479,660	45,569	-	16,525,229
Accumulated depreciation				
Building	1,628,290	340,815	-	1,969,105
Equipment	48,400	-	-	48,400
Furniture	1,628,873	182,839	-	1,811,712
Computer	<u>298,930</u>	<u>60,791</u>	<u>-</u>	<u>359,721</u>
Sub-total	<u>3,604,493</u>	<u>584,445</u>	<u>-</u>	<u>4,188,938</u>
Total net capital assets	<u>\$ 12,875,167</u>	<u>\$ (538,876)</u>	<u>\$ -</u>	<u>\$ 12,336,291</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, 2018

NOTE 6 – NOTES PAYABLE

Notes payable as of June 30, 2018 can be summarized as follows:

Loan Information

	Interest Rate	Maturity Date	Other
SAAN 16/17	4.25%	August, 2017	Paid in full
SAAN 17/18	4.25%	June 2018	Paid in full

Loan Activity

	Balance July 1, 2017	Additions	Retirements and Payments	Balance June 30, 2018
SAAN 16/17	\$ 121,016	\$ -	\$ 121,016	\$ -
SAAN 17/18	-	800,000	800,000	-
	<u>\$ 121,016</u>	<u>\$ 800,000</u>	<u>\$ 921,016</u>	<u>\$ -</u>

NOTE 7 – OTHER ACCRUED EXPENSES

Other accrued expenses can be summarized as follows:

	Net Position	Funds
Purchased services - payroll and benefits	\$ 323,366	\$ 323,366
Management fee	364,806	364,806
University oversight fee	47,660	47,660
Interest	495,757	-
 Total other accrued expenses	 <u>\$ 1,231,589</u>	 <u>\$ 735,832</u>

VOYAGEUR ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued FOR THE YEAR ENDED JUNE 30, 2018

NOTE 8 - LONG-TERM OBLIGATIONS PAYABLE

The following is a summary of long-term obligations for the Academy during the year ended June 30, 2018:

Loan Information

	Interest Rate	Maturity Date	Other
Average rate of			
2011 Revenue bond	7.88%	July, 2041	Refinanced with 2017 issuance
Twice yearly payments of principal and interest. Secured by facilities, funds held in trust, and a pledge for 20% of future State School Aid payments.			
2017 Revenue bond	Average rate of 5.72%	Various through July, 2046	

Loan Activity

	Balance July 1, 2017	Additions	Retirements and Payments	Balance June 30, 2018	Due Within One Year
2011 Revenue bond	\$ 17,805,000	\$ -	\$ 17,805,000	-	\$ -
2017 Revenue bond	-	17,065,000		17,065,000	80,000
	<u>\$ 17,805,000</u>	<u>\$ 17,065,000</u>	<u>\$ 17,805,000</u>	<u>\$ 17,065,000</u>	<u>\$ 80,000</u>

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

	Principal	Interest
2019	\$ 80,000	\$ 1,004,594
2020	100,000	1,014,540
2021	120,000	1,007,680
2022	135,000	999,788
2023	160,000	990,715
2024 - 2028	1,190,000	4,764,805
2029 - 2033	2,025,000	4,285,493
2034 - 2038	3,180,000	3,509,535
2039 - 2043	4,750,000	2,325,640
2044 - 2047	5,325,000	656,817

VOYAGEUR ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 9 – OPERATING LEASES

Lease Information

	Maturity Date	Approximate Payment	Other
Building Lease	June, 2019 with option to renew through June, 2020	\$275,000 yearly	Payable in monthly equal installments of \$22,917

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

2019	\$275,000
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Total lease expense included in the statement of activities for the year ended June 30, 2018 amounted to \$272,770.

NOTE 10 - INTERFUND TRANSFERS

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

	General	Capital Projects	Special Revenue	Debt Service
Transfer In	\$ 9,744	\$ 25,000	\$ -	\$ 2,379,326
Transfer Out	1,603,931	5,994	3,750	800,395

As stipulated by the Academy's revenue bond agreement as described in Note 8, the Academy must transfer 20% of its state aid to a trustee. The trustee retains the required portion for debt service and returns the remainder to the Academy.

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.

SUPPLEMENTARY INFORMATION

VOYAGEUR ACADEMY

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues				
Local sources	\$ 61,900	\$ 100,339	\$ 138,574	\$ 38,235
State sources	9,393,802	9,783,726	9,783,341	(385)
Federal sources	<u>928,284</u>	<u>1,146,333</u>	<u>1,026,996</u>	<u>(119,337)</u>
Total general fund revenues	10,383,986	11,030,398	10,948,911	(81,487)
Expenditures				
Instruction				
Basic programs	3,432,545	3,681,250	3,600,686	(80,564)
Added needs	810,806	834,910	760,532	(74,378)
Support services				
Pupil support services	646,589	755,988	681,753	(74,235)
Instructional staff support services	496,716	588,459	584,842	(3,617)
General administration	314,445	334,751	1,308,623	973,872
School administration	754,422	736,112	721,036	(15,076)
Business support services	1,128,475	1,157,517	148,638	(1,008,879)
Operations and maintenance	1,057,765	1,084,067	1,052,672	(31,395)
Pupil transportation services	218,000	275,200	272,768	(2,432)
Central support services	293,232	261,629	304,785	43,156
Athletic activities	-	69,500	69,631	131
Community services	-	99,335	97,796	(1,539)
Capital outlay	-	-	45,569	45,569
Total general fund expenditures	<u>9,152,995</u>	<u>9,878,718</u>	<u>9,649,331</u>	<u>(229,387)</u>
Excess (deficiency) of revenues over expenditures	1,230,991	1,151,680	1,299,580	147,900
Other Financing Sources (Uses)				
Operating transfers in	-	-	9,744	9,744
Operating transfers out	<u>(1,360,000)</u>	<u>(1,509,475)</u>	<u>(1,603,931)</u>	<u>(94,456)</u>
Total other financing sources (uses)	<u>(1,360,000)</u>	<u>(1,509,475)</u>	<u>(1,594,187)</u>	<u>(84,712)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	(129,009)	(357,795)	(294,607)	63,188
Fund balance - July 1, 2017	1,373,802	1,373,802	1,373,802	-
Fund balance - June 30, 2018	<u>\$ 1,244,793</u>	<u>\$ 1,016,007</u>	<u>\$ 1,079,195</u>	<u>\$ 63,188</u>

VOYAGEUR ACADEMY

SUPPLEMENTARY INFORMATION
COMBINING BALANCE SHEET – NON-MAJOR FUNDS
JUNE 30, 2018

ASSETS

	Special Revenue	Capital Projects	Total
Cash and cash equivalents	\$ 146,059	\$ -	\$ 146,059
Investments	- -	124,963	124,963
Due from other governmental units	<u>2,852</u>	<u>-</u>	<u>2,852</u>
Total assets	<u>\$ 148,911</u>	<u>\$ 124,963</u>	<u>\$ 273,874</u>

LIABILITIES AND FUND BALANCE

Liabilities

Accounts payable	\$ 54,809	\$ -	\$ 54,809
Due to other funds	5,659	-	5,659
Other accrued expenses	<u>8,466</u>	<u>-</u>	<u>8,466</u>
Total liabilities	<u>68,934</u>	<u>-</u>	<u>68,934</u>

Fund Balance

Restricted	<u>79,977</u>	<u>124,963</u>	<u>204,940</u>
Total liabilities and fund balance	<u>\$ 148,911</u>	<u>\$ 124,963</u>	<u>\$ 273,874</u>

VOYAGEUR ACADEMY

SUPPLEMENTARY INFORMATION
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE – NON-MAJOR FUNDS
 FOR THE YEAR ENDED JUNE 30, 2018

	Special Revenue	Capital Projects	Total
Revenues			
Local sources	\$ -	\$ 722	\$ 722
State sources	21,930	-	21,930
Federal sources	<u>639,070</u>	<u>-</u>	<u>639,070</u>
Total governmental fund revenues	661,000	722	661,722
Expenditures			
Food services	<u>637,993</u>	<u>-</u>	<u>637,993</u>
Excess (deficiency) of revenues over expenditures	23,007	722	23,729
Other Financing Sources (Uses)			
Operating transfers in	-	25,000	25,000
Operating transfers out	<u>(3,750)</u>	<u>(5,994)</u>	<u>(9,744)</u>
Total other financing sources (uses)	<u>(3,750)</u>	<u>19,006</u>	<u>15,256</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	19,257	19,728	38,985
Fund balance - July 1, 2017	<u>60,720</u>	<u>105,235</u>	<u>165,955</u>
Fund balance - June 30, 2018	<u>\$ 79,977</u>	<u>\$ 124,963</u>	<u>\$ 204,940</u>

VOYAGEUR ACADEMY

SCHEDULE OF REVENUES – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2018

Local Sources

Student activities	\$ 34,326
Other local revenues	<u>104,248</u>
Total local sources	138,574

State Sources

At risk	878,147
Special education	108,780
State aid	<u>8,796,414</u>
Total state sources	9,783,341

Federal Sources

IDEA	163,486
Title I	732,420
Title II A	101,747
Title III	19,343
Title IV	<u>10,000</u>
Total federal sources	<u>1,026,996</u>
Total general fund revenues	<u>\$ 10,948,911</u>

VOYAGEUR ACADEMY

SCHEDULE OF EXPENDITURES – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2018

Basic Programs

Purchased services	\$ 3,371,914
Rentals	15,557
Other purchased services	13,697
Supplies and materials	130,596
Other expenditures	<u>68,922</u>
	3,600,686

Added Needs

Purchased services	749,951
Supplies and materials	<u>10,581</u>
	760,532

Pupil Support Services

Guidance services	457,507
Health services	16,860
Psychological services	11,175
Speech pathology and audiology	65,701
Social work services	87,399
Other pupil services	<u>43,111</u>
	681,753

Instructional Staff Support Services

Purchased services	584,842
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General Administration

Purchased services	46,108
Management fees	981,244
University oversight	266,616
Other expenditures	<u>14,655</u>
	1,308,623

School Administration

Purchased services	653,929
Other purchased services	40,224
Supplies and materials	<u>26,883</u>
	721,036

VOYAGEUR ACADEMY

SCHEDULE OF EXPENDITURES – GENERAL FUND - CONTINUED FOR THE YEAR ENDED JUNE 30, 2018

Business Support Services	
Purchased services	55,196
Other purchased services	56,835
Supplies and materials	788
Other expenditures	<u>35,819</u>
 Total business support services	 148,638
Operations and Maintenance	
Purchased services	421,753
Repairs and maintenance	68,572
Rentals	272,500
Other purchased services	283,776
Supplies and materials	3,591
Other expenditures	<u>2,480</u>
 Total operations and maintenance	 1,052,672
Pupil Transportation Services	
Purchased services	272,768
Central Support Services	
Purchased services	224,108
Rentals	36,559
Other expenditures	<u>44,118</u>
 Total central support services	 304,785
Athletic Activities	
Purchased services	69,631
Community Services	
Purchased services	95,796
Supplies and materials	<u>2,000</u>
 Total community services	 97,796
Capital Outlay	<u>45,569</u>
 Total general fund expenditures	 <u>\$ 9,649,331</u>

APPENDIX

Federal Awards Report

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

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, 2018, and the related notes to the financial statements, which collectively comprise Voyageur Academy's basic financial statements, and have issued our report thereon dated November 1, 2018.

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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exists that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses as Finding 2018-001.

Compliance and Other Matters

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

Voyageur Academy's Response to Findings

Voyageur Academy's response to the finding 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

November 1, 2018
Rochester, Michigan

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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 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, 2018. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2018.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as Finding 2018-002

Voyageur Academy's response to the noncompliance 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 compliance and, accordingly, we express no opinion on it.

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 the Uniform Guidance, 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 and therefore, material weaknesses or significant deficiencies may exists that have not been identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as Findings 2018-002 and 2018-003 that we consider to be material weaknesses.

Voyageur Academy's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned and costs. Voyageur Academy's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Croskey Lanni, PC

November 1, 2018
Rochester, Michigan

VOYAGEUR ACADEMY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Program Title/Project Number	Grant/Project Number	CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue at July 1, 2017	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Federal Funds/ Payments In-kind Received	Accrued (Deferred) Revenue at June 30, 2018	Current Year Cash Transferred To Subrecipient
Clusters:										
Child Nutrition Cluster - U.S. Department of Agriculture -										
Passed through Michigan Department of Education:										
Noncash Assistance (Commodities) -										
National Lunch Program										
Bonus Commodities 2017-18	N/A	10.555	\$ 46,430	\$ -	\$ -	\$ -	\$ 41,587	\$ 41,587	\$ -	\$ -
Cash Assistance:										
National School Lunch Program 2016-17	171960	10.555	50,504	-	24,141	(24,141)	50,504	50,504	-	-
National School Lunch Program 2017-18	181960/181980	10.555	391,807	-	-	-	391,807	391,807	-	-
National School Lunch Program (including commodities) Subtotal		10.555	488,741	-	24,141	(24,141)	483,898	483,898	-	-
National School Breakfast Program 2016-17	171970	10.553	19,692	-	7,318	(7,318)	19,692	19,692	-	-
National School Breakfast Program 2017-18	181970	10.553	135,480	-	-	-	135,480	135,480	-	-
National School Breakfast Program Subtotal		10.553	155,172	-	7,318	(7,318)	155,172	155,172	-	-
Total Child Nutrition Cluster			643,913	-	31,459	(31,459)	639,070	639,070	-	-
Special Education Cluster - U.S. Department of Ed. -										
Passed through the Wayne County RESA										
IDEA Flowthrough:										
IDEA Flowthrough 1617	171450	84.027A	179,550	179,550	15,111	-	15,111	-	-	-
IDEA Flowthrough 1718	181450	84.027A	163,486	-	-	-	163,486	163,486	-	-
Total Special Education Cluster			343,036	179,550	15,111	-	178,597	163,486	-	-

See accompanying notes to schedule of expenditures of federal awards

VOYAGEUR ACADEMY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - Continued FOR THE YEAR ENDED JUNE 30, 2018

Program Title/Project Number Subrecipient Name	Grant/ Project Number	CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued		Federal Funds/		(Deferred) Revenue at June 30, 2018	Accrued (Deferred) Revenue at June 30, 2018	Current Year Cash Transferred To Subrecipient							
					(Deferred) Revenue at July 1, 2017	Adjustments and Transfers	Payments In-kind Received	Expenditures										
Other federal awards:																		
Passed through the Michigan Department of Education:																		
Title I Part A:																		
Title I Part A1617	171530	84.010	698,800	622,487	82,487	-	82,487	-	-	-	-							
Title I Part A1718	181530	84.010	800,454	-	-	-	665,000	732,420	67,420	-	-							
Total Title I Part A		84.010	1,499,254	622,487	82,487	-	747,487	732,420	67,420	-	-							
Title III Limited English:																		
Title III Limited English 1718	180580	84.365	19,343	-	-	-	19,343	19,343	-	-	-							
Title II Part A - Improving Teacher Quality:																		
Title II Part A1718	180520	84.367	108,050	-	-	-	101,000	101,747	747	-	-							
Title IV Part A Student Support and Academic Enrichment:																		
Title IV Part A1718	180750	84.424	10,000	-	-	-	10,000	10,000	-	-	-							
Total noncluster programs passed through the Michigan Department of Education																		
			1,636,647	622,487	82,487	-	877,830	863,510	68,167	-	-							
Total Federal Awards																		
			\$ 2,623,596	\$ 802,037	\$ 129,057	\$ (31,459)	\$ 1,695,497	\$ 1,666,066	\$ 68,167	\$ -								

See accompanying notes to schedule of expenditures of federal awards

VOYAGEUR ACADEMY

RECONCILIATION OF BASIC FINANCIAL STATEMENTS FEDERAL REVENUE WITH SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2018

Revenues to Expenditures

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

General Fund	\$ 1,026,996
Special Revenue Fund	<u>639,070</u>
Federal expenditures per the schedule of expenditures of federal awards	<u>\$ 1,666,066</u>

Adjustments and Transfers

Timing difference between MDE payment and Academy receipt	<u>\$ 31,459</u>
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VOYAGEUR ACADEMY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of Voyageur Academy under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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 of Voyageur Academy.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3 – INDIRECT COST RATE

Voyageur Academy has elected to not use the 10-percent *de minimis* indirect cost rate allowed under the Uniform Guidance.

NOTE 4 - NONCASH ASSISTANCE

The value of the noncash assistance received was determined in accordance with the provisions of Uniform Guidance.

NOTE 5 - 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, 2018

SECTION I - SUMMARY OF THE AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not considered to be a material weakness(es)? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not considered to be a material weakness(es)? yes none reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? yes no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
#10.553, 10.555	Child Nutrition Cluster

Dollar threshold used to distinguish between

Type A and Type B programs as described in 2 CFR section 200.518(b): \$ 750,000

Auditee qualified as low-risk auditee? yes no

VOYAGEUR ACADEMY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2018

SECTION II – FINANCIAL STATEMENT FINDINGS

Reference Number	Findings
2018-001	<p>Finding Type – Material Weakness</p> <p>Criteria – The Academy's internal control structure should ensure that accounting data is properly calculated, reconciled and reported in accordance with generally accepted accounting principles.</p> <p>Condition – The Academy's general ledger was not complete in that the Debt Service Fund activity was not fully recorded for the year. Additionally other accounts required adjustment in order to bring them to proper balances. Significant and material audit adjusting journal entries were required in order to ensure that all of the activity of the school was fully and accurately portrayed in the financial statements.</p> <p>Cause / Effect – While activity was recorded and reconciled during the year for the general fund the Debt Service Fund was not fully accounted for. Other accounts needed significant adjustment in order to be properly presented. The effect was to not have a complete and accurate general ledger to present for audit.</p> <p>Recommendation – The Academy should ensure that all activity is fully accounted for in all of its funds.</p> <p>Auditee Response – The Academy agrees with the finding. The Academy has implemented procedures in order to ensure that all activity within all funds is accurately recorded and reconciled.</p>

VOYAGEUR ACADEMY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued FOR THE YEAR ENDED JUNE 30, 2018

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Reference Number	Findings
2018-002	<p>Special Tests and Provisions</p> <p>Finding Type – Material weakness and material noncompliance with laws and regulations.</p> <p>Criteria – In accordance with 2 CFR 200.303(a), the Academy must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).</p> <p>Condition – The Academy was not able to provide documentation that Annual Self-Monitoring Review(s) took place during the fiscal year.</p> <p>Cause / Effect – The Academy is required to assess its Federal Food Service Program no less than once per year, per building, by February 1st as defined in 7 CFR 210.2, July 1 to June 30. Once the review(s) are concluded, there could be possible findings and corrective action plans that could not be reviewed for corrective action during the single audit process.</p> <p>Recommendation – The Academy should put into place internal control procedures to ensure proper document retention and timely reporting.</p> <p>Auditee Response – The Academy agrees with the finding. The Academy has implemented procedures in order to ensure that documentation is made readily available and reviews are conducted in a timely manner.</p>

VOYAGEUR ACADEMY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued FOR THE YEAR ENDED JUNE 30, 2018

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS - Continued

Reference Number	Findings
2018-003	<p>Special Tests and Provisions</p> <p>Finding Type – Material Weakness in internal controls over Federal programs.</p> <p>Criteria – In accordance with 2 CFR 200.303(a), the Academy must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).</p> <p>Condition – The Academy was not able to provide documentation when requested for the most recent Michigan Department of Education Administrative Review.</p> <p>Cause / Effect – The Michigan Department of Education Office of Health and Nutrition, School Nutrition Program conducts Administrative Reviews once every three years to assess compliance over the Academy’s Federal Food Service Program. The review process may or may not result in findings requiring corrective action that the Academy is required to take. By not providing the review during the single audit process, the single auditors were not able to assure that there were no duplicate documented findings.</p> <p>Recommendation – The Academy should put into place internal control procedures to ensure proper document retention.</p> <p>Auditee Response – The Academy agrees with the finding. The Academy has implemented procedures in order to ensure that documentation is made readily available when requested.</p>