

**Landmark Academy**

**Kimball, Michigan**

**Audited Financial Statements**

**June 30, 2010**

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## INDEPENDENT AUDITOR'S REPORT

### **To the Board of Directors of Landmark Academy**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Landmark Academy, as of and for the year ended June 30, 2010, which collectively comprise the Academy's basic financial statements listed in the table of contents. These financial statements are the responsibility of Landmark Academy's management. Our responsibility is to express opinions on these financial statements based on our audit.

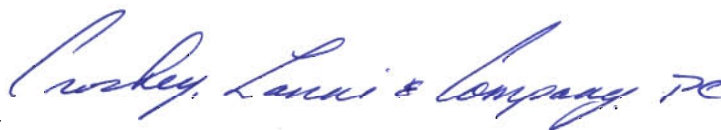
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Landmark Academy as of June 30, 2010, and the respective changes in financial position, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 26, 2010 on our consideration of Landmark Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages iii through xi, and 20, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management, about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Landmark Academy's financial statements as a whole. The introductory section, combining and individual non major fund statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* and is also not a required part of the financial statements. The combining and individual non major fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.



Croskey, Lanni & Company, P.C.

August 26, 2010  
Rochester, Michigan

# Landmark Academy

**A Public School Academy in Kimball, Michigan  
Chartered By Saginaw Valley State University**

**Management Discussion and Analysis  
For the Fiscal Year Ended June 30, 2010**

## Introduction

**Landmark Academy** completed its eleventh year of operations on June 30, 2010. Chartered by Saginaw Valley State University in July of 1999, Landmark is a school of choice serving students in kindergarten through eleventh grade. In September 2009, Landmark added high school classes for eleventh grade students. In September 2010, Landmark expanded to offer twelfth grade classes.

The school campus is located on a sixty-six acre parcel of land on Lapeer Road in Kimball Township, near Port Huron. There are two buildings located on the campus. The first is a 42,000 square foot Elementary School building that is modular construction with a brick exterior, having 27 classrooms and two administration offices. The next is our 97,300 square foot Middle and High School building with metal stud construction, having 27 classrooms and several administration offices. For the year ending June 30, 2010 there were four (4) classes each of Kindergarten through grade four, three (3) classes each of grades five through seven, two (2) classes each of grades eight through eleven. As of the writing of this report Landmark has added an additional fifth grade class (bringing the total to four), an additional eighth grade class (bringing the total to three) and two twelfth grade classes for the 2010-2011 school year. It is anticipated that Landmark will add an additional sixth grade class and an additional ninth grade class the following year as students advance.

In 2007 Landmark Academy entered into a three (3) year lease agreement for occupancy of the second floor of the Cross Current Church building with an exclusive right to purchase the entire building by the end of the 2009 calendar year. As of January 21<sup>st</sup>, 2010 Landmark Academy secured the financing for the building located at 4864 Lapeer Rd. Kimball, MI 48074. Part of the financing included funds to renovate the downstairs portion of the building and construct a full size gymnasium, new classrooms and offices. The renovations were completed and a temporary Certificate of Occupancy was issued on September 3<sup>rd</sup>, 2010. The final Certificate of Occupancy is expected to be issued by the end of September 2010.

## **Overview of Financial Statements**

The financial information contained in this Management Discussion & Analysis is derived from two methods of reporting. One method is Governmental Fund Accounting, which was the only method used prior to the GASB 34 changes that were put into place. The other method reports finances on a Net Asset basis, typical of corporate accounting.

The Governmental Fund method report separates the financial activities of the school into self-balancing funds based on the primary function of the fund. For example, the Debt Service Fund is specifically for all activity related to the school's debt service activity. The funds used for Landmark Academy are the General Fund (where most all financial activity takes place), the Debt Service Fund, the Capital Project Fund (for the school construction projects), and the Activity Fund (for money held by Landmark on behalf of student groups – student council, for example).

The Net Asset method reflects activity on a school-wide basis (excluding Fiduciary accounts), showing assets, short-term and long-term debt, and all revenues and expenses for the year. Depreciation of assets is included in this method of accounting.

Financial statements representing both accounting methods follow this Management Discussion & Analysis. Included in these statements is a reconciliation between the two methods of accounting.

## **Assets, Liabilities & Net Assets**

### **Assets**

#### **Capital Assets**

Much of Landmark's asset value is represented in land and buildings, \$12.8 million of the total. In prior years, Landmark's capital asset values were established on an original cost basis. Changes in accounting methods now require the depreciation of these assets – which amounts to an accumulated total of \$1,200,439.

Landmark Academy opened its doors in 1999 with two (2) 6,000 square foot modular buildings that provided for 11 classrooms and an administrative office. Growth in student numbers necessitated expansion projects in 2001, 2003, 2005, 2007 and 2010. The school issued Certificates of Participation to fund the first four projects and the Michigan Public Educational Facilities Authority (MPEFA) issued a bond for the final project. The final addition of two modular classrooms in 2007 brings the total Kindergarten through Grade 5 campus building area to approximately 42,000 square feet. In January 2010 the school purchased the adjacent 97,300 square foot building for our Middle and High School and made improvements to the first floor to accommodate a new full size gymnasium, classrooms and offices.

**Landmark Academy 1999**



**Landmark Academy 2010**

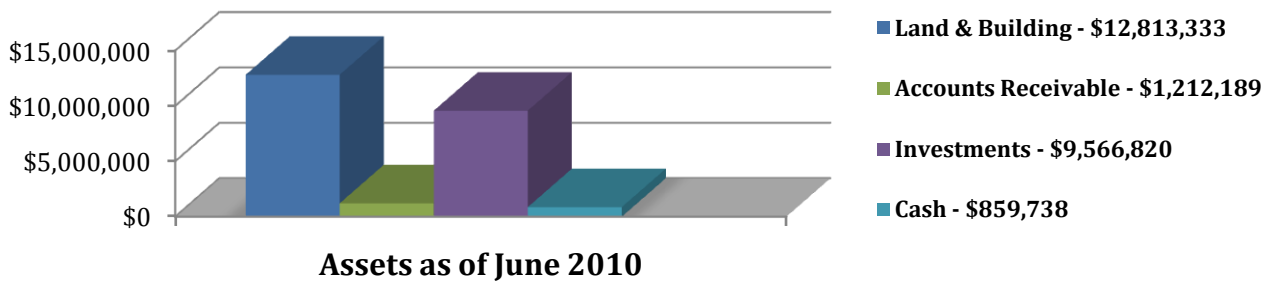


**Current Assets**

Landmark Academy's current assets total \$11,638,747. Of that amount, \$1,212,189 is recorded as accounts receivable due from governmental units. Most of this is derived from the State of Michigan as per-pupil aid, which will be received by the end of August 2010. Landmark maintains a checking account and a money market account, totaling \$859,738 for the year-end, which represents the cash balances in the general operating accounts. Another significant portion of the school's current assets is the \$9,566,820 shown as investments. The majority of this sum is held in a trust account to pay for the principal and interest on the long-term debt (Certificates of Participation).

**All Assets**

The following chart illustrates the categories and amounts of Landmark's \$24,452,080 in assets.



## **Liabilities**

### **Long-Term Liabilities**

Landmark presently has a long-term debt obligation of \$21,040,000 – mostly from the MPEFA bond used to finance the school’s expansions in 2010. The Academy paid approximately \$1,190,000 in principal payments on the C.O.P. issues over the course of the school year.

The financing agreement for the Certificates of Participation calls for 20% of state aid to be directly deposited monthly (except September and November) into a trust account held at U.S. Bank to satisfy principal and interest due. Deposited funds in excess of debt service are then transferred back to the Academy’s general checking account, usually a few days after each deposit. Page 5 of the basic financial statements shows \$598,806 transferred out of the general fund and into the debt service fund to provide for the debt service on the C.O.P. issues.

### **Current Liabilities**

Current liabilities of \$1,650,761 are a small portion of total liabilities. They reflect the current portion of long-term debt (\$170,000), amount due to governmental units of (\$1,027,812) as well as salaries and benefits for teacher contracts (\$452,949) that will not be fully disbursed until August 15, 2010.

Total Liabilities are \$22,690,761.

## **Net Assets**

Total Net Assets for the year ended June 30, 2010 are \$1,761,319. This basically represents Landmark’s equity position. Of this, (\$8,396,667) represents the amount invested in capital assets, less the related debt. The deficit is due in large to the underwriting costs of the MPEFA bond being financed. The amount restricted for debt service is \$6,847,887 and \$1,718,933 remains from the 2010 capital project reserved for capital improvements. The remaining \$1,591,166 is unrestricted. The change in net assets from the previous year is \$(69,578).

## **Comparative Analysis of Net Assets**

The following is a comparison of financial data from this year versus data from last year. Total Assets grew by roughly 161%. Long-Term Debt increased by 200%. Unrestricted Net Assets increased by 28.4% over the previous year’s amount. The Net Assets decreased by 3.8%, reflecting a year of change for the school due to the expansion project.

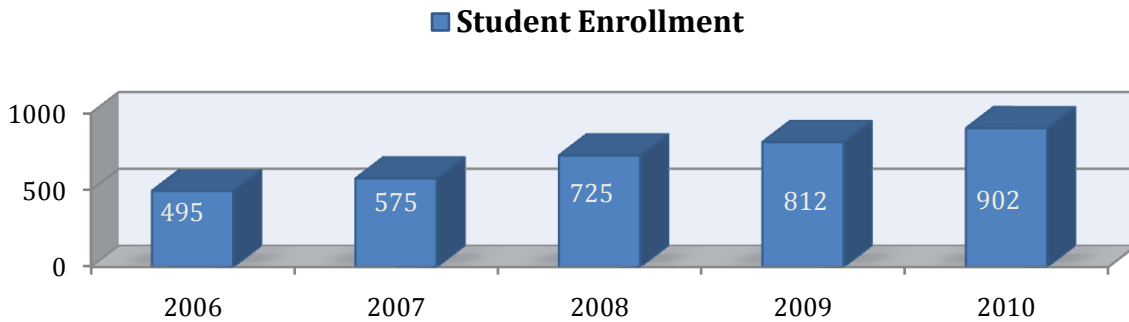
## Comparative Statement of Financial Position

	<u>2009/2010</u>	<u>2008/2009</u>
<b>Assets</b>		
Current Assets	\$ 11,638,747	\$ 2,860,176
Facilities, Fixtures, Equipment	<u>12,813,333</u>	<u>6,499,703</u>
<b>Total Assets</b>	<b>24,452,080</b>	<b>9,359,879</b>
<b>Liabilities</b>		
Current Liabilities	1,650,761	518,982
Long-Term Debt	<u>21,040,000</u>	<u>7,010,000</u>
<b>Total Liabilities</b>	<b>22,690,761</b>	<b>7,528,982</b>
<b>Net Assets</b>		
Invest in Capital Assets, less Related Debt	(8,396,667)	(610,297)
Restricted for Debt Service	6,847,887	955,945
Restricted for Capital Projects	1,718,933	233
Restricted for Prepaid Expenses	-	246,159
Unrestricted	<u>1,591,166</u>	<u>1,238,857</u>
<b>Total Net Assets</b>	<b>\$ 1,761,319</b>	<b>\$ 1,830,897</b>

# Revenue & Expenses

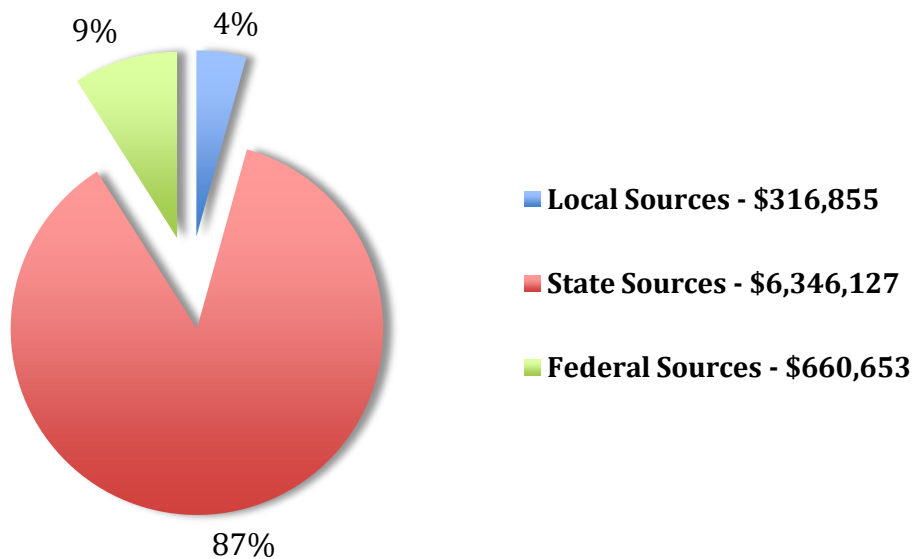
## Revenue

Landmark Academy enjoyed another year of growth in student numbers, increasing from 812 students, at the close of the previous year, to 886 at the close of the current year – an increase of 9%.



Landmark’s primary source of revenue is derived from the State of Michigan. Approximately 87% of its total annual revenue from all sources for this school year was from state aid. In the 2009/2010 school year, state aid was reduced by roughly \$448 per student, which was the case for all public schools. This deficit was partially restored through Federal ARRA dollars. The net result was that Landmark received roughly \$6,969 per student based on a blended student count formula – 75% of the September student enrollment count and 25% of the February count. Page 20 provides information on other revenue sources.

## 2009/10 Revenue by Source

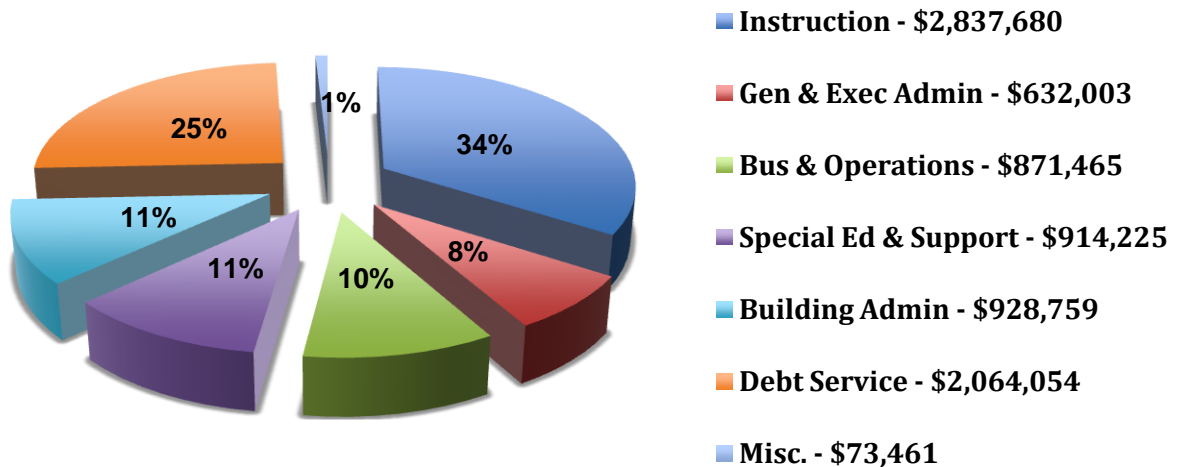


**Total Revenue - \$7,323,635 - Modified Accrual Basis**

## Expenses

Expenses are approved and reported on a function level. The following chart represents those levels and the corresponding expenses (based upon a modified accrual method) for this fiscal year. Some of the functions have been combined in the chart for purposes of clarity. Expenses, by function, are detailed on page 2.

### 2009/10 Expenses by Function



**Total Expenses - \$8,321,647 - Modified Accrual Basis**

Monies from the Title Funds, 31-A state funds, and a grant from Saginaw Valley State University were also used to enhance core academic portions of the curriculum. Federal ARRA funds were used to replace reduction in state aid during the school year. These funds were used for general instruction expenses. Also, special education funds from Public Act 18 (a county millage) allowed the Academy to enhance its resources used for our special education program.

### Comparative Analysis of Revenues, Expenditures, Changes in Fund Balance

Total revenue rose 13.6% over last year's revenue driven primarily by a 9% increase in student enrollment. There was also a 12% increase in State Aid. State Aid as a percentage of total revenue was 87%. While there was a cut in per pupil funding, State Aid increased due to higher enrollment.

Total expenditures rose by approximately 140%, driven largely by the capital outlay for the financing project. There were proportional increases in the Instruction, General/Executive Administration, Misc. categories. A significant increase (233%) came from Debt Service. This increase was due to the 2010 financing project, which was to purchase Cross Current's building, renovate the downstairs and refund the outstanding Certificate of Participations. Landmark incurred approximately \$130,000 of capital expenditures nearly half of which results from engineering and design work for the upcoming remodeling project in 2010. The other capital expenditures included new furniture for additional grades, parking lot repairs and the purchase of new technology.

A significant increase (56.8%) came from the Special Ed and Support category. The majority of this increase is due to the addition of new Special Ed positions. This was necessitated in order to meet the increased Special Education caseload.

The year-end fund balance increased by 19.5% over the previous year. The following chart outlines the changes in the primary income and expense categories.

### Comparative Statement of Activities

	<u>2009/2010</u>	<u>2008/2009</u>
<b>Revenue</b>		
<b>Program revenues</b>		
<b>Operating grants</b>	\$ 816,351	\$ 681,917
<b>Charges for services</b>	<u>-</u>	<u>36,066</u>
<b>Total program revenues</b>	816,351	717,983
<b>General revenues</b>		
<b>State aid – unrestricted</b>	6,190,429	5,522,798
<b>Other</b>	<u>316,855</u>	<u>205,004</u>
<b>Total general revenues</b>	<u>6,507,284</u>	<u>5,727,802</u>
<b>Total revenues</b>	7,323,635	6,445,785
<b>Expenses</b>		
<b>Instruction</b>	2,837,680	2,601,243
<b>Special Ed &amp; Support Services</b>	914,225	583,086
<b>General &amp; Executive Administration</b>	632,003	579,985
<b>Building Administration</b>	928,759	769,956
<b>Business &amp; Operations</b>	871,465	867,383
<b>Other</b>	73,461	45,773
<b>Unallocated depreciation</b>	262,121	181,833
<b>Unallocated interest</b>	<u>873,499</u>	<u>524,050</u>
<b>Total Expenditures</b>	<u>7,393,213</u>	<u>6,153,309</u>
<b>Changes in Fund Balance</b>	\$ ( <u>69,578</u> )	\$ <u>292,476</u>

Note: Numbers based on Full Accrual Basis

### Overall Financial Position

Student enrollment for the fall represented an 11% increase over the previous year. Actual fall-count enrollment was 2.6% more than had been anticipated in the initial budget, which had been projected at 879. Total actual revenue from all sources was 0.64% below the initial budgeted revenues. This decrease was primarily due to the cuts in State Aid. There was a 2.4% increase in actual total expenses (without interest expense) versus the initial budgeted numbers (See page 19).

This year Landmark was again able to retire a small portion of principal on the long-term certificates. The fund balance increase over the previous year was strong at 7%. Landmark

Academy enjoyed another solid year of growth in students and staff, completing yet another expansion of building facilities.

### **Fund Balance Restrictions**

Landmark presently maintains a combined fund balance position of \$10,190,139. The undesignated portion of this is \$1,623,319 and \$6,847,887 is reserved for debt service. A balance of \$1,718,933 remains in the capital project fund.

### **Budget**

The Landmark Academy Board of Directors approved the initial budget prior to July 1, 2009. Much of the school's income (over 90%) is based on enrollment projections and anticipated state aid, with expenses increasing proportionately. Since the formal student count occurs in late September, it is common to revise the budget in October to reflect the actual student enrollment. The budget was also revised in November to incorporate any changes in the per pupil funding. The Academy's State Aid revenue projection for the fiscal year was (and continues to be) based largely on verbal commitments from parents. The actual September 2009 count was 902. This was more than the 879-commitment number used to formulate the budget. The actual year-end totals for four function categories exceeded the final amended budget numbers by approximately .03%.

### **Significant Capital Asset & Long-Term Debt Activity**

One of the most significant changes for the year was a 200% increase in Long Term Debt. This was due to the financing project that allowed Landmark Academy to purchase Cross Current's building, make renovations and refund the outstanding Certificates of Participation.

### **Currently Known Facts**

The student count for the 2010-2011 school year currently stands at 954, which represents a 7% increase over last year's enrollment - another solid year of growth. As planned, a fourth fifth grade class was added this year, as well as a third eighth grade class, and two twelfth grade classes. Additional teachers were hired in Elementary for fifth grade and Middle and High School for Math, Science, Spanish, Art, Gym and Music.

When Landmark's fifth grade students are promoted, an additional sixth grade class (bringing the total to four) will be added in the fall of 2011, as well as the addition of a third ninth grade class. Landmark's growth is anticipated to continue the following year, with increases in the middle and high school grades. With the purchase of the 97,300 square foot Cross Current building Landmark Academy's campus now consists of two buildings, which sit on 66 acres of land.

For information regarding the content contained in this Management Discussion and Analysis please contact Travis Gostinger, Landmark Academy Business Administrator, at 810-982-7210.

# LANDMARK ACADEMY

## STATEMENT OF NET ASSETS JUNE 30, 2010 See Independent Auditor's Report

### ASSETS

#### Current Assets

Cash and cash equivalents	\$ 859,738
Investments	9,566,820
Due from other governmental units	<u>1,212,189</u>
Total current assets	11,638,747

#### Facilities, Furniture and Equipment

At cost less accumulated depreciation of \$1,200,439	<u>12,813,333</u>
Total assets	<u><u>\$ 24,452,080</u></u>

### LIABILITIES AND NET ASSETS

#### Current Liabilities

Other accrued expenses	\$ 452,949
Due to other governmental units	1,027,812
Long-term debt - current portion	<u>170,000</u>
Total current liabilities	1,650,761

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

21,040,000

#### Net Assets

Invested in capital assets, net of related debt	(8,396,667)
Restricted for debt service	6,847,887
Restricted for capital projects	1,718,933
Unrestricted	<u>1,591,166</u>
Total net assets	<u>1,761,319</u>
Total liabilities and net assets	<u><u>\$ 24,452,080</u></u>



See accompanying notes to financial statements

**LANDMARK ACADEMY**

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2010  
See Independent Auditor's Report

<b>Functions</b>	<u>Expenses</u>	<b>Program Revenues</b>		<b>Net (Expense) Revenues and Changes in Net Assets</b>
		<u>Charges for Services</u>	<u>Operating Grants</u>	<u>Government Type Activities</u>
Elementary school	\$ 1,810,272	\$ -	\$ 281,528	\$ (1,528,744)
Middle school	549,047	-	-	(549,047)
High school	478,361	-	-	(478,361)
Special education	408,476	-	289,159	(119,317)
Compensatory education	298,471	-	245,664	(52,807)
Support services	207,278	-	-	(207,278)
General administration	50,077	-	-	(50,077)
Executive administration	581,926	-	-	(581,926)
Building administration	928,759	-	-	(928,759)
Business support services	271,962	-	-	(271,962)
Operation and maintenance	599,503	-	-	(599,503)
Field trips	184	-	-	(184)
Other support services	9,035	-	-	(9,035)
Custody and care of children	30,158	-	-	(30,158)
Athletics	34,084	-	-	(34,084)
Unallocated depreciation	262,121	-	-	(262,121)
Unallocated interest	873,499	-	-	(873,499)
	<u>\$ 7,393,213</u>	<u>\$ -</u>	<u>\$ 816,351</u>	<u>(6,576,862)</u>
 <b>General Purpose Revenues:</b>				
State school aid - unrestricted				6,190,429
Interest				13,500
Miscellaneous				303,355
				<u>6,507,284</u>
Excess of expenses over revenues				(69,578)
Net assets - July 1, 2009				<u>1,830,897</u>
Net assets - June 30, 2010				<u>\$ 1,761,319</u>



See accompanying notes to financial statements

**LANDMARK ACADEMY**

**COMBINED BALANCE SHEET - ALL FUND TYPES**

JUNE 30, 2010

See Independent Auditor's Report

**ASSETS**

	<b>Governmental Fund Types</b>		
	<b>General</b>	<b>Debt Service</b>	<b>Capital Projects</b>
Cash and cash equivalents	\$ 859,738	\$ -	\$ -
Investments	-	7,847,887	1,718,933
Due from other governmental units	1,212,189	-	-
 Total assets	\$ 2,071,927	\$ 7,847,887	\$ 1,718,933

**LIABILITIES AND FUND BALANCES**

**Liabilities**

Other accrued expenses	\$ 420,796	\$ -	\$ -
Due to other governmental units	27,812	1,000,000	-
 Total liabilities	448,608	1,000,000	-

**Fund Balance**

Designated for debt service	-	6,847,887	-
Designated for capital projects	-	-	1,718,933
Unreserved:			
Undesignated	1,623,319	-	-
 Total fund balances	1,623,319	6,847,887	1,718,933
 Total liabilities and fund balances	\$ 2,071,927	\$ 7,847,887	\$ 1,718,933

See accompanying notes to financial statements



**LANDMARK ACADEMY**

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

JUNE 30, 2010

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>	\$ 10,190,139
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$14,013,772 and the accumulated depreciation is \$1,200,439.	12,813,333
Interest is not payable until due in governmental activities and, therefore, is not recorded in the funds.	(32,153)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(21,210,000)</u>
<b>Net Assets of Governmental Activities</b>	<u><u>\$ 1,761,319</u></u>



See accompanying notes to financial statements

**LANDMARK ACADEMY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2010  
See Independent Auditor's Report

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<b>Revenues</b>			
Local sources	\$ 305,956	\$ 10,899	\$ -
State sources	6,346,127	-	-
Federal sources	660,653	-	-
	<hr/>	<hr/>	<hr/>
Total governmental fund revenues	7,312,736	10,899	-
<b>Expenditures</b>			
Elementary school	1,810,272	-	-
Middle school	549,047	-	-
High school	478,361	-	-
Special education	408,476	-	-
Compensatory education	298,471	-	-
Support services	207,278	-	-
General administration	50,077	-	-
Executive administration	581,926	-	-
Building administration	928,759	-	-
Business support services	271,962	-	-
Operation and maintenance	599,503	-	-
Field trips	184	-	-
Other support services	9,035	-	-
Custody and care of children	30,158	-	-
Athletics	34,084	-	-
Capital outlay	5,781,243	733,207	61,300
Debt principal and interest	-	2,064,054	-
	<hr/>	<hr/>	<hr/>
Total governmental fund expenditures	12,038,836	2,797,261	61,300
Excess (deficiency) of revenues over expenditures	(4,726,100)	(2,786,362)	(61,300)
<b>Other Financing Sources (Uses)</b>			
Proceeds from issuance of long term debt	5,430,502	8,079,498	1,780,000
Operating transfers in	-	598,806	-
Operating transfers out	(598,806)	-	-
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	4,831,696	8,678,304	1,780,000
Excess of revenues and other financing sources over expenditures and other (uses)	105,596	5,891,942	1,718,700
Fund balance - July 1, 2009	1,517,723	955,945	233
	<hr/>	<hr/>	<hr/>
Fund balance - June 30, 2010	<u>\$ 1,623,319</u>	<u>\$ 6,847,887</u>	<u>\$ 1,718,933</u>



See accompanying notes to financial statements

**LANDMARK 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, 2010  
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** \$ 7,716,238

Governmental funds report capital outlays as expenditures. However, in the statements of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay	\$ 6,575,750	
Depreciation expense	<u>(262,121)</u>	6,313,629

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. In the statement of activities, interest expense is recognized as it accrues, regardless of 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	\$ (15,290,000)	
Repayment of loan principal	1,190,000	
Interest expense	<u>555</u>	<u>(14,099,445)</u>

**Change in Net Assets of Governmental Activities** \$ (69,578)



See accompanying notes to financial statements

**LANDMARK ACADEMY**

**STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
FOR THE YEAR ENDED JUNE 30, 2010  
See Independent Auditor's Report**

**ASSETS**

	<u>Agency</u>
Cash and cash equivalents	<u>\$ 39,599</u>
Total assets	<u><u>\$ 39,599</u></u>

**LIABILITIES**

Due to student groups	<u>\$ 39,599</u>
Total liabilities	<u><u>\$ 39,599</u></u>



See accompanying notes to financial statements

**LANDMARK ACADEMY**  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010  
See Independent Auditor's Report

**NOTE 1 - Summary of Significant Accounting Policies**

The accounting policies of Landmark 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**

Landmark 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 May 26, 1999, and began operation in July, 1999.

In July 2009, the Academy entered into a five year contract with Saginaw Valley 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 Saginaw Valley State University's Board of Control three percent of state aid as administrative fees. Total administrative fees paid for the year ended June 30, 2010 were approximately \$192,100.

In June 2009, the Academy entered into a five year consulting agreement with Summit Management, LLC. Under the terms of this agreement, Summit will provide a variety of services including oversight of administration and staff and coordinate the development of budgets and financial reports. The Academy is obligated to pay Summit the sum of \$252,000 plus the lesser of \$252,000 and 6% of the amount if any by which the amount of state revenue received by Landmark for such school year exceeds \$4,200,000. The total paid for these services amounted to approximately \$384,100 for the year ended June 30, 2010.

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 operation of financial relationships with the public school Academy. Based on application of criteria, the Academy does not contain component units.

**Fund Financial Statements**

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

**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 basic financial statements in this report, into generic fund types in two broad categories:

**LANDMARK ACADEMY**  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010  
See Independent Auditor's Report

**NOTE 1 - Summary of Significant Accounting Policies - Continued**

**Governmental Fund**

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.

**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 project fund accounts for financial resources to be used for the acquisition, construction, or improvement of capital facilities.

**Fiduciary Fund** - The fiduciary fund 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 Academy presently maintains an activity fund to record the transactions of a student group for school and school-related purposes. The fund is segregated and held in trust for the students.

Governmental 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.
- 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.

**LANDMARK ACADEMY**  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010  
See Independent Auditor's Report

**NOTE 1 - Summary of Significant Accounting Policies - Continued**

**Government Wide Financial Statements**

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

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

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

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

**Cash and Cash Equivalents**

The Academy's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with maturities of three months or less from the date of acquisition. The Academy reports its investments in accordance with GASB Statement No. 31, Accounting and Financial Reporting for certain investments and for external investment pools and GASB No. 40, Deposit and Investment Risk Disclosures. Under these standards, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration the rate of return is fixed and the Academy intends to hold the investment until maturity. The Academy held investments in mutual funds that invest solely in U.S. Treasury obligations. The funds are held in trust for debt service and capital projects. State statutes authorize the academy to invest in bonds and other direct and certain in-direct obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bond, 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.

**LANDMARK ACADEMY**  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010  
See Independent Auditor's Report

**NOTE 1 - Summary of Significant Accounting Policies - Continued**

**Receivables**

Receivables at June 30, 2010 consist primarily of state school aid due from the State of Michigan. All receivables are expected to be fully collected in July and August of 2010 and are considered current for the purposes of these basic financial statements.

**Prepaid Assets**

Payments made to vendors for services that will benefit periods beyond June 30, 2010, 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 and retirements during the year. The Academy defines capital assets as those with an initial individual cost of more than \$1,000 and an estimated useful life in excess of 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.

**LANDMARK ACADEMY**  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010  
See Independent Auditor's Report

**NOTE 1 - Summary of Significant Accounting Policies - Continued**

**Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors or laws and regulations of other governments.

**Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance of amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designation of fund balance represent tentative management plans that are subject to change.

**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 special revenue fund, if applicable, budgets. The Academy has not formally adopted a debt service fund or capital projects fund budget. During the year ended June 30, 2010 the budget was amended in a legally permissible manner. The Academy incurred insignificant overruns during the year ended June 30, 2010.

**LANDMARK ACADEMY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**  
See Independent Auditor's Report

**NOTE 3 - Deposits and Investments**

As of June 30, 2010, 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			\$ 899,337
Investments:			
U.S. Treasury and agency obligations	AAAm	Various	<u>9,566,820</u>
Total deposits and investments			<u><u>\$ 10,466,157</u></u>

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

Deposits:			
Cash - Agency Fund			\$ 39,599
Cash - Academy Wide			<u>859,738</u>
Subtotal			<u>899,337</u>
Investments:			
Investments - Debt Service			7,847,887
Investments - Capital Projects			<u>1,718,933</u>
Subtotal			<u>9,566,820</u>
Total deposits and investments			<u><u>\$ 10,466,157</u></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.

**LANDMARK ACADEMY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**  
 See Independent Auditor's Report

**NOTE 3 - Deposits and Investments - Continued**

**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, 2010, 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. More than 5% of the Academy's investments are in investment pools which represents 100% of the Academy's total investments.

**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, 2010 all of the Academies cash was fully insured.

**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 owed from governmental units consist of the following:

State sources	\$ 1,165,325
Federal sources	27,405
	<hr/>
Total	<u>\$ 1,192,730</u>

**LANDMARK ACADEMY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**  
 See Independent Auditor's Report

**NOTE 5 - Capital Assets**

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

	<b>Balance July 1, 2009</b>	<b>Additions</b>	<b>Balance June 30, 2010</b>
Land (non depreciable)	\$ 420,000	\$ 564,050	\$ 984,050
MS / HS building	-	5,066,452	5,066,452
Buildout of facilities	5,446,417	112,661	5,559,078
Furniture and fixtures	219,981	99,381	319,362
Loan issuance costs	405,042	733,207	1,138,249
Machinery and equipment	230,569	-	230,569
Original classrooms	716,012	-	716,012
	<hr/>	<hr/>	<hr/>
Subtotal	7,438,021	6,575,751	14,013,772
	<hr/>	<hr/>	<hr/>
Accumulated depreciation	938,318	262,121	1,200,439
	<hr/>	<hr/>	<hr/>
Net book value of assets	<u>\$ 6,499,703</u>	<u>\$ 6,313,630</u>	<u>\$ 12,813,333</u>

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

**NOTE 6 - Accrued Expenses**

Accrued expenses may be summarized as follows:

	<b>Net Assets</b>	<b>Funds</b>
SVSU oversight	\$ 35,084	\$ 35,084
Purchased services - payroll and benefits	287,420	287,420
Interest	32,153	-
Other accrued expenses	98,292	98,292
	<hr/>	<hr/>
Total accrued expenses	<u>\$ 452,949</u>	<u>\$ 420,796</u>

**LANDMARK ACADEMY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**  
See Independent Auditor's Report

**NOTE 7 - Long-Term Obligations Payable**

The following is a summary of long-term obligations for the Academy for the year ended June 30, 2010.

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Retirements</u> <u>and Payments</u>	<u>Balance</u> <u>June 30, 2010</u>	<u>Due Within</u> <u>One Year</u>
Certificates of participation #1	\$ 3,180,000	\$ -	\$ 60,000	\$ 3,120,000	\$ 65,000
Certificates of participation #2	1,970,000	-	40,000	1,930,000	45,000
Certificates of participation #3	1,960,000	-	1,090,000	870,000	-
Revenue bond	-	15,290,000	-	15,290,000	60,000
<b>Total</b>	<u>\$ 7,110,000</u>	<u>\$ 15,290,000</u>	<u>\$ 1,190,000</u>	<u>\$ 21,210,000</u>	<u>\$ 170,000</u>

The Academy has issued four series of Certificates of Participation bearing interest at rates from 6.75% through 7.56% through the year ending June 30, 2040. The obligations require semi-annual interest payments due on December 1st and June 1st and an annual payment of principal due on June 1st. The certificates are collateralized by a mortgage on the Academy's facility as well as a pledge for 20% of State School Aid payments and investments held in trust for debt service.

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

	<u>Principal</u>	<u>Interest</u>
2011	\$ 170,000	\$ 1,538,444
2012	1,125,000	1,527,981
2013	335,000	1,384,394
2014	355,000	1,364,306
2015 - 2019	2,130,000	6,464,494
2020 - 2024	2,920,000	5,654,670
2025 - 2029	4,115,000	4,471,556
2030 - 2034	4,225,000	2,878,231
2035 - 2039	4,690,000	1,430,450
2040	1,145,000	40,075

**LANDMARK ACADEMY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**  
 See Independent Auditor's Report

**NOTE 8 - Operating Lease**

The Academy has entered into an operating lease agreement with an unrelated third party for the use of classroom facilities, gymnasium, and cafeteria space. The Academy was required to maintain adequate property and liability insurance coverage as well as maintain the property in like condition as at the inception of the lease term. The lease required rental payments of \$24,000 monthly. The Academy purchased the property from the third party in January of 2010.

The Academy has also leased equipment for its facilities under non-cancelable agreements which expire at various times through April, 2012. The leases require approximate annual rentals of \$26,000.

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

	<u>Equipment</u>
2011	\$ 25,741
2012	4,481

Total rent expense included in the determination of net earnings for the year ended June 30, 2010 amounted to approximately \$199,770.

**NOTE 9 - Retirement Plan**

All leased employees of the Academy are eligible to participate in a retirement plan established by Summit which qualifies under the provisions of Section 401(k) of the Internal Revenue Code. The employer under this plan will contribute 4% of salaries regardless of the amount the employee contributes. The employer will additionally match up to 4% of employee contributed funds. Eligible employees may contribute up to 15% of their salaries under the terms of this plan. Total Academy contributions amounted to approximately \$226,553 for the year ended June 30, 2010.

**NOTE 10 - Interfund Transfers**

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

	<u>General</u>	<u>Debt Service</u>
Transfers In	\$ -	\$ 598,806
Transfers Out	598,806	-

**LANDMARK ACADEMY**  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010  
See Independent Auditor's Report

**NOTE 10 - Interfund Transfers - Continued**

As stipulated by the Academy's Certificates of Participation as described in Note 7, the Academy must transfer 20% of its state aid to a trustee. The trustee retains the required portion needed 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 - Related Party Transaction**

Summit Management, LLC provides management services to the Academy as described in Note 1 of these financial statements. The Academy's CEO is also a member/owner of Summit Management, LLC. The board of directors is directly responsible for appointing the management firm and neither of the above mentioned individuals are eligible to vote for his appointment.



**Croskey, Lanni & Company, PC**  
Certified Public Accountants and Business Advisors

David M. Croskey, CPA  
Thomas B. Lanni, CPA  
Carolyn A. Jones, CPA, MST  
Clifton F. Powell Jr., CPA, CFP®, PFS  
Roger J. DeJong, CPA  
Patrick M. Sweeney, CPA

## INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTAL INFORMATION

**To the Board of Directors  
of Landmark Academy**

We have audited the accompanying financial statements of Landmark Academy for the year ended June 30, 2010. Our audit was made for the purpose of forming an opinion on the financial statements as a whole. The additional information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Landmark Academy. This information has been subjected to the procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in blue ink that reads "Croskey, Lanni &amp; Company, PC".

Croskey, Lanni & Company, P.C.

August 26, 2010  
Rochester, Michigan

**LANDMARK ACADEMY**

REQUIRED SUPPLEMENTAL INFORMATION  
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2010

See Independent Auditor's Report on Supplemental Information

	<b>General Fund</b>		
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>
<b>Revenue</b>			
Local sources	\$ 330,561	\$ 423,809	\$ 305,956
State sources	6,380,600	6,604,384	6,346,127
Federal sources	380,839	309,075	660,653
Total governmental fund revenues	7,092,000	7,337,268	7,312,736
<b>Expenditures</b>			
Elementary school	1,778,000	1,810,200	1,810,272
Middle school	711,000	548,500	549,047
High school	448,600	478,600	478,361
Special education	220,000	408,400	408,476
Compensatory education	450,000	300,000	298,471
Support services	134,300	207,900	207,278
General administration	42,500	50,200	50,077
Executive administration	587,200	582,100	581,926
Building administration	992,000	928,300	928,759
Business support services	117,000	272,400	271,962
Operation and maintenance	612,800	598,500	599,503
Field trips	1,000	200	184
Other support services	12,000	9,100	9,035
Custody and care of children	-	30,500	30,158
Athletics	-	34,100	34,084
Capital outlay	3,000	5,781,300	5,781,243
Total governmental fund expenditures	6,109,400	12,040,300	12,038,836
Excess (deficiency) of revenues over expenditures	982,600	(4,703,032)	(4,726,100)
<b>Other Financing Sources (Uses)</b>			
Proceeds from issuance of long-term debt	-	5,430,500	5,430,502
Operating transfers in	279,100	675,500	-
Operating transfers out	(1,249,320)	(1,305,000)	(598,806)
Total other financing sources (uses)	(970,220)	4,801,000	4,831,696
Excess of revenues and other financing sources over expenditures and other (uses)	12,380	97,968	105,596
Fund balance - July 1, 2009	1,517,723	1,517,723	1,517,723
Fund balance - June 30, 2010	\$ 1,530,103	\$ 1,615,691	\$ 1,623,319

**LANDMARK ACADEMY**

**SCHEDULE OF REVENUES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2010**

See Independent Auditor's Report on Supplemental Information

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<b>Local Sources</b>			
Interest	\$ 2,601	\$ 10,899	\$ -
Local millages	188,428	-	-
Mini grant	9,020	-	-
Program revenue	54,676	-	-
Rent	45,000	-	-
Miscellaneous	6,231	-	-
	<hr/>	<hr/>	<hr/>
Total local sources	305,956	10,899	-
<b>State Sources</b>			
At risk	111,748	-	-
Special education	43,950	-	-
State aid	6,190,429	-	-
	<hr/>	<hr/>	<hr/>
Total state sources	6,346,127	-	-
<b>Federal Sources</b>			
ARRA federal stimulus	221,266	-	-
Medicaid	41,898	-	-
Special education	245,209	-	-
Title I	133,916	-	-
Title II A	18,364	-	-
	<hr/>	<hr/>	<hr/>
Total federal sources	660,653	-	-
	<hr/>	<hr/>	<hr/>
Total governmental fund revenues	<u>\$ 7,312,736</u>	<u>\$ 10,899</u>	<u>\$ -</u>

**LANDMARK ACADEMY**

SCHEDULE OF EXPENDITURES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2010

See Independent Auditor's Report on Supplemental Information

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<b>Elementary School</b>			
Purchased services - salaries	\$ 1,379,324	\$ -	\$ -
Purchased services - benefits	223,901	-	-
Purchased services - payroll taxes	128,096	-	-
Textbooks and supplies	73,922	-	-
Workshops and conferences	5,029	-	-
	<hr/>	<hr/>	<hr/>
Total elementary school	1,810,272	-	-
<b>Middle School</b>			
Purchased services - salaries	407,600	-	-
Purchased services - benefits	54,010	-	-
Purchased services - payroll taxes	40,393	-	-
Textbooks and supplies	44,955	-	-
Workshops and conferences	2,089	-	-
	<hr/>	<hr/>	<hr/>
Total middle school	549,047	-	-
<b>High School</b>			
Purchased services - salaries	320,465	-	-
Purchased services - benefits	51,929	-	-
Purchased services - payroll taxes	30,797	-	-
Supplies and materials	73,470	-	-
Workshops and conferences	1,700	-	-
	<hr/>	<hr/>	<hr/>
Total high school	478,361	-	-
<b>Special Education</b>			
Purchased services - salaries	294,058	-	-
Purchased services - benefits	29,043	-	-
Purchased services - payroll taxes	26,378	-	-
Supplies and materials	34,821	-	-
Workshops and conferences	24,176	-	-
	<hr/>	<hr/>	<hr/>
Total special education	408,476	-	-
<b>Compensatory Education</b>			
Purchased services - salaries	141,385	-	-
Purchased services - benefits	24,625	-	-
Purchased services - payroll taxes	10,358	-	-
Supplies and materials	64,075	-	-
Workshops and conferences	58,028	-	-
	<hr/>	<hr/>	<hr/>
Total compensatory education	298,471	-	-

**LANDMARK ACADEMY**

SCHEDULE OF EXPENDITURES - ALL GOVERNMENTAL FUND TYPES - Continued  
FOR THE YEAR ENDED JUNE 30, 2010

See Independent Auditor's Report on Supplemental Information

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<b>Support Services</b>			
Purchased services - salaries	67,830	-	-
Purchased services - benefits	19,278	-	-
Purchased services - payroll taxes	6,567	-	-
Subcontracted services	112,769	-	-
Supplies and materials	834	-	-
	<hr/>	<hr/>	<hr/>
Total support services	207,278	-	-
<b>General Administration</b>			
Advertising and recruiting	23,890	-	-
Professional fees	26,187	-	-
	<hr/>	<hr/>	<hr/>
Total general administration	50,077	-	-
<b>Executive Administration</b>			
Advertising	1,292	-	-
Management fees	384,124	-	-
Memberships and dues	4,410	-	-
Oversight fees	192,100	-	-
	<hr/>	<hr/>	<hr/>
Total executive administration	581,926	-	-
<b>Building Administration</b>			
Purchased services - salaries	659,607	-	-
Purchased services - benefits	122,284	-	-
Purchased services - payroll taxes	64,362	-	-
Copier lease	50,228	-	-
Memberships and dues	1,491	-	-
Miscellaneous	6,851	-	-
Office supplies and other	6,733	-	-
Postage	7,132	-	-
Workshops and conferences	10,071	-	-
	<hr/>	<hr/>	<hr/>
Total building administration	928,759	-	-

**LANDMARK ACADEMY**

SCHEDULE OF EXPENDITURES - ALL GOVERNMENTAL FUND TYPES - Continued  
FOR THE YEAR ENDED JUNE 30, 2010

See Independent Auditor's Report on Supplemental Information

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<b>Business Support Services</b>			
Bank fees	7,663	-	-
Facilities lease	199,770	-	-
Insurance	44,474	-	-
Software maintenance	20,055	-	-
Total business support services	271,962	-	-
<b>Operation and Maintenance</b>			
Purchased services - salaries	214,844	-	-
Purchased services - benefits	44,814	-	-
Purchased services - payroll taxes	20,922	-	-
Maintenance	142,562	-	-
Supplies	37,613	-	-
Utilities	138,748	-	-
Total operation and maintenance	599,503	-	-
<b>Field Trips</b>	184	-	-
<b>Other Support Services</b>	9,035	-	-
<b>Custody and Care of Children</b>			
Purchased services - salaries	23,979	-	-
Purchased services - benefits	1,605	-	-
Purchased services - payroll taxes	4,574	-	-
Total custody and care of children	30,158	-	-
<b>Athletics</b>	34,084	-	-
<b>Capital Outlay</b>	5,781,243	733,207	61,300
<b>Debt Principal and Interest</b>	-	2,064,054	-
Total governmental fund expenditures	<u>\$ 12,038,836</u>	<u>\$ 2,797,261</u>	<u>\$ 61,300</u>

# **Appendix**

**Federal Awards**

**Supplemental Information**

**LANDMARK ACADEMY**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2010

<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, 2009</u>	<u>Adjustments and Transfers</u>	<u>Federal Funds/ Payments In-kind Received</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue at June 30, 2010</u>
<b>US Department of Education</b>								
<b>Passed through the St. Claire County RESA</b>								
<b>I.D.E.A. Cluster</b>								
Flowthrough 0910	84.027	\$ 126,498	\$ -	\$ -	\$ -	\$ 126,498	\$ 126,498	\$ -
Flowthrough Preschool 0910	84.173	1,211	-	-	-	1,211	1,211	-
ARRA Flowthrough 0910	84.391	139,468	-	-	-	69,863	115,958	46,095
ARRA Preschool 0910	84.392	1,542	-	-	-	773	1,542	769
Total Idea Cluster		268,719	-	-	-	198,345	245,209	46,864
<b>Medicaid Administrative Outreach</b>	93.778	41,898	-	-	-	41,898	41,898	-
<b>Total US Department of Education Passed through the St. Clair County RESA</b>		310,617	-	-	-	240,243	287,107	46,864
<b>US Department of Education</b>								
<b>Passed through the Michigan Department of Education</b>								
<b>Title I</b>	84.010							
101530 0910		72,028	-	-	-	91,487	72,028	(19,459)
<b>ARRA Title I</b>	84.389							
101535 0910		61,888	-	-	-	61,888	61,888	-
<b>ARRA Stabilization</b>	84.394							
08 09		293,424	293,424	293,424	-	293,424	-	-
09 10		221,266	-	-	-	221,266	221,266	-
<b>Improving Teacher Quality</b>	84.367							
100520 0910		18,364	-	-	-	18,364	18,364	-
<b>Total US Department of Education Passed through from the Michigan Department of Education</b>		666,970	293,424	293,424	-	686,429	373,546	(19,459)
Total federal awards		\$ 977,587	\$ 293,424	\$ 293,424	\$ -	\$ 926,672	\$ 660,653	\$ 27,405

**LANDMARK ACADEMY**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

**NOTE 1 - Summary of Significant Accounting Policies**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Landmark Academy and is presented on the same basis of accounting as the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**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 Section Auditor's Report**

Management has utilized Form R-7120 and the Grant Auditors Report in preparing the schedule of expenditures of federal awards. Unreconciled differences, if any, have been disclosed to the auditor.



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND 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 Landmark Academy**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Landmark Academy as of and for the year ended June 30, 2010, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated August 26, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Landmark Academy's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinions on the effectiveness of Landmark Academy's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Landmark Academy's internal control over financial reporting.

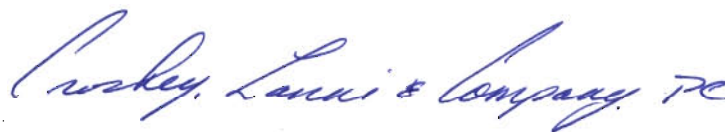
*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal controls such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

## Compliance

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

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



Croskey, Lanni & Company, P.C.

August 26, 2010  
Rochester, Michigan



**REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

**To the Board of Directors  
of Landmark Academy**

We have audited the compliance of Landmark Academy with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2010. Landmark Academy's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of Landmark Academy's management. Our responsibility is to express an opinion on Landmark Academy's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Landmark Academy's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Landmark Academy's compliance with those requirements.

In our opinion, Landmark Academy complied, in all material respects, with the compliance requirements referred to above that are applicable to its major federal identified in the accompanying schedule of findings and questioned costs for the year ended June 30, 2010. However the results of our auditing procedures disclosed instances of noncompliance with those compliance requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2010-01 and 2010-02.

## Internal Control Over Compliance

Management of Landmark Academy is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Landmark Academy's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Landmark Academy's internal control over compliance.

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

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

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

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



Croskey, Lanni & Company, P.C.

August 26, 2010  
Rochester, Michigan

**LANDMARK ACADEMY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

A. Summary of the auditor's results:

1. The auditor's report expresses an unqualified opinion on the Academy's financial statements.
2. No significant deficiencies in the internal control were disclosed by the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of Landmark Academy, which would be required to be reported in accordance with *Government Auditing Standards* were disclosed during the audit.
4. No significant deficiencies in the internal control over major programs were disclosed by the audit.
5. The auditor's report on compliance for the major federal award programs for Landmark Academy expresses an unqualified opinion on all major federal programs.
6. The audit did disclose findings which were required to be reported.
7. The programs tested as a major program included: Title I (84.010), Title I ARRA (84.398), I.D.E.A. (84.027 & 84.173), and I.D.E.A. ARRA (84.391 & 84.392).
8. The threshold used to distinguish between Type A and Type B programs is \$300,000.
9. The Academy has not met all of the conditions required for qualification as a low-risk auditee.

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

C. There are findings and questioned costs for Federal awards.

## LANDMARK ACADEMY

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued) FOR THE YEAR ENDED JUNE 30, 2010

Reference  
Number

Findings

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2010-01

**Program Name** - CFDA # 84.010: Title I AND CFDA # 84.389  
ARRA Title I

**Pass-Through Entity** - Michigan Department of Education

**Finding Type** - Noncompliance

**Criteria** - In accordance with OMB Circular A-87, Attachment B, all employees that spend 100% of their time on federally funded programs must be supported by supervisor signed time certifications. All employees that split time between federal and other cost objectives must be supported by Personnel Activity Reports (PAR's)

**Condition** - The Academy was, in isolated instances, unable to provide PAR's or time certifications to support the time charged for certain employees to its major program.

**Questioned** - None

**Cause / Effect** - The Academy was unable to support the time spent in accordance with federal regulations.

**Recommendation** - The Academy should implement additional internal controls and procedures to insure that payroll charged to federal grants are supported by federally mandated documentation.

**Auditee Response** - The Academy will implement additional internal controls to insure proper reports are completed accurately to support the salaries charged to the grants.

## LANDMARK ACADEMY

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued) FOR THE YEAR ENDED JUNE 30, 2010

<u>Reference Number</u>	<u>Findings</u>
2010-02	<p><b>Program Name</b> - CFDA # 84.010: Title I</p> <p><b>Pass-Through Entity</b> - Michigan Department of Education</p> <p><b>Finding Type</b> - Noncompliance</p> <p><b>Criteria</b> - The Michigan School Auditing Manual stipulates that Academies may request a cash draw reimbursement only after incurring the expenditure.</p> <p><b>Condition</b> - The Academy did not have sufficient expenditures to cover the amount of one draw down.</p> <p><b>Questioned</b> - None</p> <p><b>Cause / Effect</b> - The Academy drew down federal money without adequate expenditures to cover the amount of one draw down.</p> <p><b>Recommendation</b> - The Academy should implement additional review processes to insure that the expenditure has been made before requesting a reimbursement.</p> <p><b>Auditee Response</b> - The Academy agrees with the finding. All necessary corrective actions will be implemented and monitored in accordance with applicable policies and procedures.</p>