

Landmark Academy

Kimball, Michigan

Audited Financial Statements

June 30, 2011

CROSKEY LANNI, PC
CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

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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, 2011, 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, 2011, and the respective changes in financial position, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 13, 2011 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 22, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management, about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or 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 combining and individual non major fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.



Croskey Lanni, PC

September 13, 2011
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, 2011**

Introduction

Landmark Academy completed its twelfth year of operations on June 30, 2011. Chartered by Saginaw Valley State University in July of 1999, Landmark is a school of choice serving students in kindergarten through twelfth grade. In September 2010, Landmark added high school classes for twelfth grade students.

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, 2011 there were four (4) classes each of Kindergarten through grade five, three (3) classes each of grades six through eight, two (2) classes each of grades nine through twelve. As of the writing of this report Landmark has added an additional sixth grade class (bringing the total to four), an additional ninth grade class (bringing the total to three) for the 2010-2011 school year. It is anticipated that Landmark will add an additional seventh grade class and an additional tenth 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 21st, 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 the Certificate of Occupancy was issued on March 2nd, 2011.

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, \$14,119,624 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 \$1,593,930.

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 2010/11

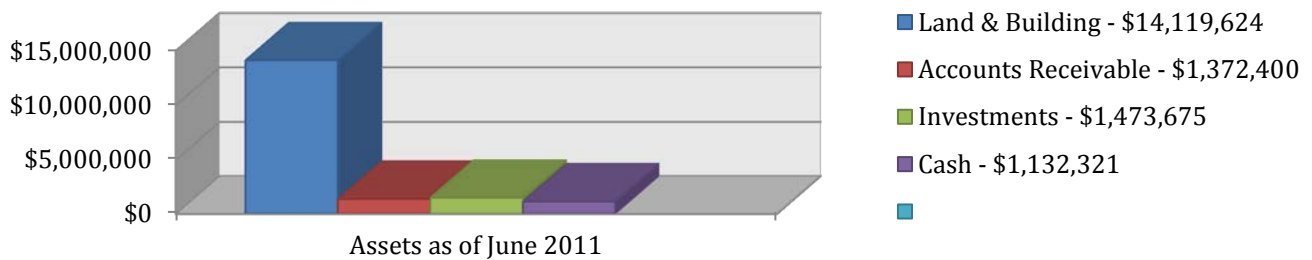


Current Assets

Landmark Academy's current assets total \$3,978,396. Of that amount, \$1,372,400 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 2011. Landmark maintains a checking account and a money market account, totaling \$1,132,321 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 \$1,473,675 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 \$18,098,020 in assets.



Liabilities

Long-Term Liabilities

Landmark presently has a long-term debt obligation of \$15,090,000 – comprised from the MPEFA bond used to finance the school's expansion in 2010. The Academy was able to reduce overall debt with proceeds from the bond, which were allocated to pay off \$5,980,000 in principal payments on the outstanding Certificates of Participations as their maturities came due.

The financing agreement for the Bond calls for 20% of State Aid to be directly deposited monthly (except September) 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 financial statements shows \$1,131,335 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 \$1,855,503 are a small portion of total liabilities. They reflect the current portion of long-term debt \$140,000. The amount due to governmental units of \$1,000,000, and salaries and benefits for teacher contracts of \$563,173 that will not be fully disbursed until August 15, 2011.

Total Liabilities are \$16,945,503.

Net Assets

Total Net Assets for the year ended June 30, 2011 are \$1,152,517. This basically represents Landmark's equity position. Of this, (\$1,110,376) represents the amount invested in capital assets, less the related debt. The deficit is due in large part to the underwriting costs of the MPEFA bond being financed. The amount restricted for debt service is \$384,441 and \$89,234 remains from the 2010 capital project reserved for capital improvements. The remaining \$1,789,218 is unrestricted. The change in net assets from the previous year is \$608,802.

Comparative Analysis of Net Assets

The following is a comparison of financial data this year versus data from last year. Total Assets decreased from last year by 26%. Long-Term Debt decreased by 28.3%. Unrestricted Net Assets increased by 12.4% over the previous year's amount. The Net Assets decreased by 34.6%, reflecting a year of change for the school due to the expansion project.

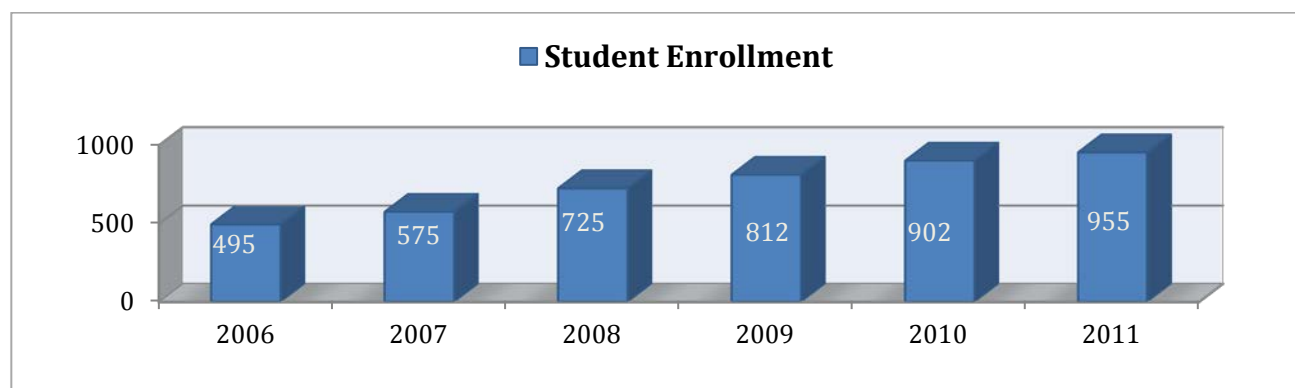
Comparative Statement of Financial Position

	<u>2010/2011</u>	<u>2009/2010</u>
Assets		
Current Assets	\$ 3,978,396	11,638,747
Facilities, Fixtures, Equipment	<u>14,119,624</u>	<u>12,813,333</u>
Total Assets	<u>18,098,020</u>	<u>24,452,080</u>
Liabilities		
Current Liabilities	1,855,503	1,650,761
Long-Term Debt	<u>15,090,000</u>	<u>21,040,000</u>
Total Liabilities	16,945,047	22,690,761
Net Assets		
Invest in Capital Assets, less Related Debt	(1,110,376)	(8,396,667)
Restricted for Debt Service	384,441	6,847,887
Restricted for Capital Projects	89,234	1,718,933
Unrestricted	<u>1,789,218</u>	<u>1,591,166</u>
Total Net Assets	\$ <u>1,152,517</u>	\$ <u>1,761,319</u>

Revenue & Expenses

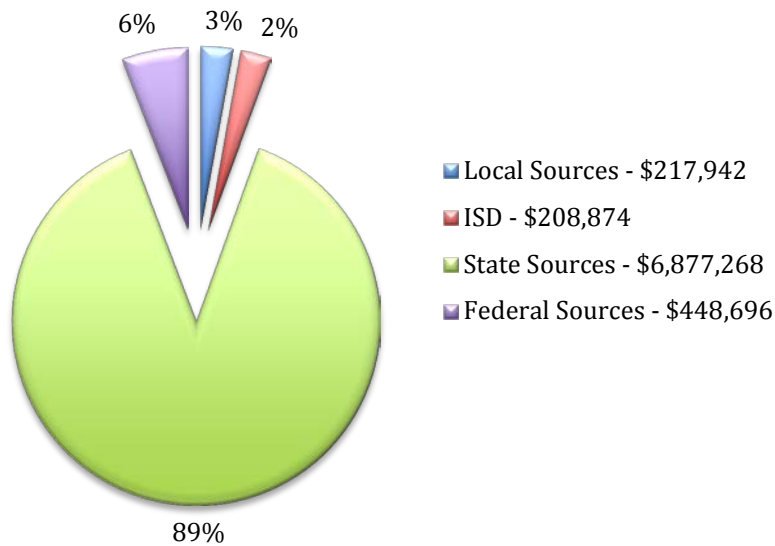
Revenue

Landmark Academy enjoyed another year of growth in student numbers, increasing from 902 students, at the close of the previous year, to 945 at the close of the current year – an increase of 4.8%.



Landmark’s primary source of revenue is derived from the State of Michigan. Approximately 88.7% of total annual revenue for this school year was from State Aid. In the 2010/2011 school year, State Aid was reduced by roughly \$307 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 \$7,247 per student based on a blended student count formula – 75% of the September student enrollment count and 25% of the February count. Page 23 provides information on other revenue sources.

2010/11 Revenue by Function

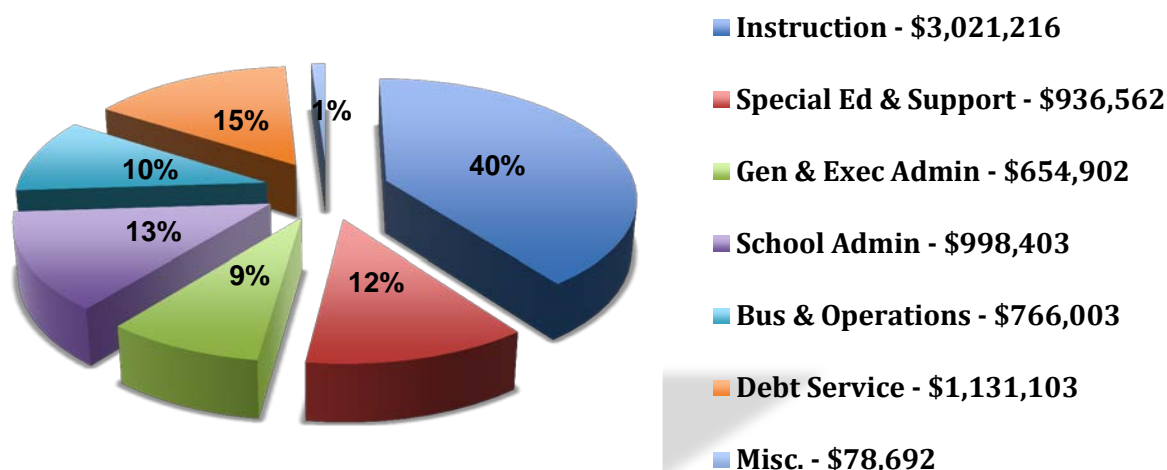


Total Revenue - \$7,752,780 - Modified Accrual Basis

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.

2010/11 Expenses by Function



Total Expenses - \$7,586,881 - 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 4.7% over last year's revenue driven primarily by a 5.9% increase in student enrollment. There was also an 8.1% increase in State Aid. State Aid as a percentage of total revenue was 88.7%. While there was a cut in per pupil funding, State Aid increased due to higher enrollment.

Total expenditures decreased by approximately 46%, 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. 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 10.2% over the previous year. The following chart outlines the changes in the primary income and expense categories.

Comparative Statement of Revenues, Expenditures and Changes in Fund Balance

	<u>2010/2011</u>	<u>2009/2010</u>
Revenue		
State Aid	\$ 6,693,403	\$ 6,190,429
Federal Programs	448,696	660,653
Other State & Local Programs	608,541	407,822
Other	<u>2,140</u>	<u>53,832</u>
Total Revenue	7,752,780	7,312,736
Expenses		
Instruction	3,021,216	2,837,680
Special Ed & Support Services	936,562	914,225
General & Executive Administration	654,902	632,003
School Administration	998,403	928,759
Business & Operations	766,003	871,465
Other	78,692	73,461
Debt Service	<u>1,131,103</u>	<u>949,547</u>
Total Expenditures	<u>7,586,881</u>	<u>7,207,140</u>
Change in Fund Balance	\$ <u>165,899</u>	\$ <u>105,596</u>

Overall Financial Position

Student enrollment for the fall represented a 5.9% 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 931. Total actual revenue from all sources was 5.2% higher the initial budgeted revenues. There was a 2.4% increase in actual total expenses (without interest expense) versus the initial budgeted numbers (See page 22).

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 10.2%. Landmark Academy enjoyed another solid year of growth in students and staff.

Fund Balance Restrictions

Landmark presently maintains a combined fund balance position of \$2,262,893. The undesignated portion of this is \$1,789,218 and \$384,441 is reserved for debt service. A balance of \$89,234 remains in the capital project fund.

Budget

The Landmark Academy Board of Directors approved the initial budget prior to July 1, 2010. 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 or November to reflect the actual student enrollment which impacts 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 2010 count was 955.

Currently Known Facts

The student count for the 2011-2012 school year currently stands at 973, which represents approximately 2% increase over last year's enrollment - another year of growth. As planned, a fourth sixth grade class was added this year, as well as a third ninth grade class. 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 sixth grade students are promoted, an additional seventh grade class (bringing the total to four) will be added in the fall of 2012, as well as the addition of a third tenth grade class. Landmark's growth is anticipated to continue the following year, with increases in the middle and high school grades.

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

LANDMARK ACADEMY

STATEMENT OF NET ASSETS

JUNE 30, 2011

See Independent Auditor's Report

ASSETS

Current Assets

Cash and cash equivalents	\$ 1,132,321
Investments	1,473,675
Due from other governmental units	<u>1,372,400</u>
Total current assets	3,978,396

Capital Assets

At cost less accumulated depreciation of \$1,593,930	<u>14,119,624</u>
Total assets	<u><u>\$ 18,098,020</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities

Notes payable	\$ 114,330
Due to other governmental units	1,000,000
Deferred revenue	38,000
Other accrued expenses	563,173
Long-term debt - current portion	<u>140,000</u>
Total current liabilities	1,855,503

Long-Term Debt - Long-Term Portion

15,090,000

Net Assets

Invested in capital assets, net of related debt	(1,110,376)
Restricted for debt services	384,441
Restricted for capital projects	89,234
Unrestricted	<u>1,789,218</u>
Total net assets	<u>1,152,517</u>
Total liabilities and net assets	<u><u>\$ 18,098,020</u></u>

See accompanying notes to financial statements



LANDMARK ACADEMY

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011
See Independent Auditor's Report

Functions	<u>Expenses</u>	<u>Program Revenues Operating Grants</u>	<u>Net (Expense) Revenues and Changes in Net Assets Government Type Activities</u>
Elementary school	\$ 1,698,810	\$ 400,403	\$ (1,298,407)
Middle school	704,064	-	(704,064)
High school	618,342	-	(618,342)
Special education	381,580	124,673	(256,907)
Compensatory education	346,497	316,359	(30,138)
Pupil support services	208,485	-	(208,485)
General administration	36,799	-	(36,799)
Executive administration	608,846	-	(608,846)
School administration	998,403	-	(998,403)
Business support services	112,487	-	(112,487)
Operations and maintenance	662,773	-	(662,773)
Athletic activities	55,396	-	(55,396)
Community services	23,296	-	(23,296)
Unallocated depreciation	393,491	-	(393,491)
Unallocated interest	1,538,598	-	(1,538,598)
Total primary government	<u>\$ 8,387,867</u>	<u>\$ 841,435</u>	<u>(7,546,432)</u>
 General Purpose Revenues:			
State school aid - unrestricted			6,693,403
Miscellaneous revenues			244,227
Total general purpose revenues			<u>6,937,630</u>
Excess of revenues over expenditures			(608,802)
Net assets - July 1, 2010			<u>1,761,319</u>
Net assets - June 30, 2011			<u>\$ 1,152,517</u>

See accompanying notes to financial statements

LANDMARK ACADEMY

COMBINED BALANCE SHEET – ALL GOVERNMENTAL FUNDS

JUNE 30, 2011

See Independent Auditor's Report

ASSETS

	General	Debt Service	Capital Projects
Cash and cash equivalents	\$ 1,132,321	\$ -	\$ -
Investments	-	1,384,441	89,234
Due from other governmental units	1,372,400	-	-
 Total assets	 \$ 2,504,721	 \$ 1,384,441	 \$ 89,234

LIABILITIES AND FUND BALANCE

Liabilities

Notes payable	\$ 114,330	\$ -	\$ -
Due to other governmental units	-	1,000,000	-
Deferred revenue	38,000	-	-
Other accrued expenses	563,173	-	-
 Total liabilities	 715,503	 1,000,000	 -

Fund Balance

Restricted	-	384,441	89,234
Unassigned	1,789,218	-	-
 Total fund balance	 1,789,218	 384,441	 89,234
 Total liabilities and fund balance	 \$ 2,504,721	 \$ 1,384,441	 \$ 89,234

See accompanying notes to financial statements

LANDMARK ACADEMY

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET ASSETS
OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2011
See Independent Auditor's Report

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

Total Governmental Fund Balances	\$ 2,262,893
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$15,713,554 and the accumulated depreciation is \$1,593,930.	14,119,624
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(15,230,000)</u>
Net Assets of Governmental Activities	<u><u>\$ 1,152,517</u></u>

See accompanying notes to financial statements

LANDMARK ACADEMY

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE – ALL GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011
See Independent Auditor's Report

	General	Debt Service	Capital Projects
Revenues			
Local sources	\$ 217,942	\$ 25,559	\$ 726
State sources	6,877,268	-	-
Federal sources	448,696	-	-
Total governmental fund revenues	7,543,906	25,559	726
Expenditures			
Elementary school	1,698,810	-	-
Middle school	704,064	-	-
High school	618,342	-	-
Special education	381,580	-	-
Compensatory education	346,497	-	-
Pupil support services	208,485	-	-
General administration	46,056	-	-
Executive administration	608,846	-	-
School administration	998,403	-	-
Business support services	103,230	9,257	-
Operations and maintenance	662,773	-	-
Athletic activities	55,396	-	-
Community services	23,296	-	-
Capital outlay	-	-	1,699,781
Debt principal and interest	-	7,541,494	-
Total governmental fund expenditures	6,455,778	7,550,751	1,699,781
Excess (deficiency) of revenues over expenditures	1,088,128	(7,525,192)	(1,699,055)
Other Financing Sources (Uses)			
Payments from (to) intermediate school district	208,874	-	-
Operating transfers in	-	1,131,335	69,589
Operating transfers out	(1,131,103)	(69,589)	(233)
Total other financing sources (uses)	(922,229)	1,061,746	69,356
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	165,899	(6,463,446)	(1,629,699)
Fund balance - July 1, 2010	1,623,319	6,847,887	1,718,933
Fund balance - June 30, 2011	\$ 1,789,218	\$ 384,441	\$ 89,234

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, 2011
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 \$ (7,927,246)

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	\$ 1,699,781	
Depreciation and amortization expense	<u>(393,491)</u>	1,306,290

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:

Repayment of loan principal	\$ 5,980,000	
Interest expense	<u>32,154</u>	<u>6,012,154</u>

Change in Net Assets of Governmental Activities \$ (608,802)

LANDMARK ACADEMY

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2011
See Independent Auditor's Report

ASSETS

	<u>Agency</u>
Cash and cash equivalents	<u>\$ 39,120</u>
Total assets	<u><u>\$ 39,120</u></u>

LIABILITIES

Due to student groups	<u>\$ 39,120</u>
Total liabilities	<u><u>\$ 39,120</u></u>

See accompanying notes to financial statements



LANDMARK ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011
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, 2011 were approximately \$202,100.

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 \$404,200 for the year ended June 30, 2011.

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 designate all of its funds as major.

LANDMARK ACADEMY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011
See Independent Auditor's Report

NOTE 1 - Summary of Significant Accounting Policies - Continued

Basis of Presentation – Fund Accounting

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

Governmental Funds

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

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

School Service Fund - The school service fund is used to account for the food service program operations. The school service fund is a subsidiary operation and is an obligation of the general fund. Therefore any shortfall in the school service fund will be covered by an operating transfer from the general fund. The school service fund does not maintain its own assets and liabilities; accordingly, no balance sheet is presented for this fund.

Debt Service Fund - The debt service fund is used to record certain revenue and the payment of interest, principal and other expenditures on long-term debt.

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

Fiduciary Fund - The fiduciary fund 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 and agency funds utilize the modified accrual basis of accounting. Modifications in such method from the accrual basis are as follows:

LANDMARK ACADEMY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011
See Independent Auditor's Report

NOTE 1 - Summary of Significant Accounting Policies – Continued

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

Government-Wide Financial Statements

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

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

LANDMARK ACADEMY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011
See Independent Auditor's Report

NOTE 1 - Summary of Significant Accounting Policies - Continued

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

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

Cash and Cash Equivalents

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

Receivables

Receivables at June 30, 2011 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 2011 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, 2011, 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.

LANDMARK ACADEMY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011
See Independent Auditor's Report

NOTE 1 - Summary of Significant Accounting Policies - Continued

Capital Assets and Depreciation

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

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

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

Accrued Liabilities and Long-Term Obligations

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

Net Assets

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

Fund Equity

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

LANDMARK ACADEMY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011
See Independent Auditor's Report

NOTE 1 - Summary of Significant Accounting Policies - Continued

GASB 54 provides for two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. This category typically includes prepaid items and inventories.

In addition to nonspendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints.

- a. *Restricted fund balance* – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation. The balances shown as restricted, include \$473,675 of resources held in trust for the payment of revenue bond obligations.
- 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.

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.

LANDMARK ACADEMY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011
See Independent Auditor's Report

NOTE 2 - Stewardship, Compliance and Accountability

Annual budgets are adopted on a consistent basis with accounting principles generally accepted in the United States of America and state law for the general fund. All annual appropriations lapse at fiscal year end and encumbrances are not formally recorded.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. State law requires the Academy to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. The Academy is required by law to adopt general and school service fund budgets. During the year ended June 30, 2011 the budget was amended in a legally permissible manner. The Academy incurred insignificant overruns during the year ended June 30, 2011 as detailed on page 22 of these financial statements.

NOTE 3 - Deposits and Investments

As of June 30, 2011, the Academy had the following investments:

<u>Type</u>	<u>S&P Rating</u>	<u>Maturities</u>	<u>Carrying Value</u>
Deposits:			
Demand deposits			\$ 1,171,441
Investments:			
U.S. Treasury and agency obligations	AAAm	Various	<u>1,473,675</u>
Total deposits and investments			<u>\$ 2,645,116</u>

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

Deposits:			
Cash - General Fund			\$ 1,132,321
Cash - Agency Fund			<u>39,120</u>
Subtotal			<u>1,171,441</u>
Investments:			
Investments - Debt Service			1,384,441
Investments - Capital Projects			<u>89,234</u>
Subtotal			<u>1,473,675</u>
Total deposits and investments			<u>\$ 2,645,116</u>

LANDMARK ACADEMY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011
See Independent Auditor's Report

NOTE 3 - Deposits and Investments - Continued

Interest Rate Risk

In accordance with its investment policy, the Academy will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the Academy's cash requirements.

Credit Risk

State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2011, 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 pooled investment accounts 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, 2011, \$939,417 of the Academy's cash was exposed to custodial credit risk because it was uninsured. All cash balances were uncollateralized as of June 30, 2011.

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.

LANDMARK ACADEMY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011
See Independent Auditor's Report

NOTE 4 – Due From Other Governmental Units

Amounts due from other governmental units consist of the following:

State sources	\$ 1,257,886
Federal sources	<u>114,514</u>
Total	<u>\$ 1,372,400</u>

NOTE 5 - Capital Assets

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

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Balance</u> <u>June 30, 2011</u>
Land - nondepreciable	\$ 984,050	\$ -	\$ 984,050
MS /HS building	5,066,452	-	5,066,452
Buildout of facilities	5,559,078	1,567,320	7,126,398
Furniture and fixtures	319,362	99,787	419,149
Loan issuance costs	1,138,249	-	1,138,249
Machinery and equipment	230,569	32,675	263,244
Original classrooms	<u>716,012</u>	<u>-</u>	<u>716,012</u>
Total cost	14,013,772	1,699,782	15,713,554
Less accumulated depreciation	<u>1,200,439</u>	<u>393,491</u>	<u>1,593,930</u>
Undepreciated cost	<u>\$ 12,813,333</u>	<u>\$ 1,306,291</u>	<u>\$ 14,119,624</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.

LANDMARK ACADEMY

NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2011
 See Independent Auditor's Report

NOTE 6 – Notes Payable

Notes payable as of June 30, 2011 can be summarized as follows:

Loan Information

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Other</u>
State aid loan	3.75%	August, 2011	Issued to provide operating funds for school year. Secured by Academy assets and state school aid.

Loan Activity

	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>Retirements and Payments</u>	<u>Balance June 30, 2011</u>
State aid loan	\$ -	\$ 300,000	\$ 185,670	\$ 114,330

NOTE 7 – Accrued Expenses

Accrued expenses may be summarized as follows:

	<u>Net Assets</u>	<u>Funds</u>
SVSU oversight	\$ 42,118	\$ 42,118
Purchased services - payroll and benefits	354,000	354,000
Other accrued expenses	167,055	167,055
Total accrued expenses	<u>\$ 563,173</u>	<u>\$ 563,173</u>

LANDMARK ACADEMY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011
See Independent Auditor's Report

NOTE 8 - Long-Term Obligations Payable

The following is a summary of long-term obligations for the Academy during the year ended June 30, 2011:

Loan Information

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Other</u>
Revenue bond 4	Average of 6.5%	June, 2040	Issued to refinance revenue bonds 1 through 3. Require semi annual principal and interest payments. Secured by Academy assets and 20% pledge of State School Aid payments.

Loan Activity

	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>Retirements and Payments</u>	<u>Balance June 30, 2011</u>	<u>Due Within One Year</u>
Revenue bond 1	\$ 3,120,000	\$ -	\$ 3,120,000	\$ -	\$ -
Revenue bond 2	1,930,000	-	1,930,000	-	-
Revenue bond 3	870,000	-	870,000	-	-
Revenue bond 4	15,290,000	-	60,000	15,230,000	140,000
	<u>\$ 21,210,000</u>	<u>\$ -</u>	<u>\$ 5,980,000</u>	<u>\$ 15,230,000</u>	<u>\$ 140,000</u>

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

	<u>Principal</u>	<u>Interest</u>
2012	\$ 140,000	\$ 1,021,506
2013	210,000	1,014,456
2014	220,000	1,003,131
2015	235,000	991,581
2016	245,000	979,244
2017 - 2021	1,465,000	4,657,419
2022 - 2026	1,995,000	4,125,131
2027 - 2031	2,750,000	3,370,875
2032 -2036	3,820,000	2,290,750
2037 - 2040	4,150,000	710,675

LANDMARK ACADEMY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011
See Independent Auditor's Report

NOTE 9 – Operating Leases

Lease Information

	<u>Maturity Date</u>	<u>Approximate Payment</u>	<u>Other</u>
Office equipment	April, 2013	\$2,100 monthly	

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

	<u>Equipment</u>
2012	\$ 17,400

Total equipment lease expense included in the statement of activities for the year ended June 30, 2011 amounted to \$59,812.

NOTE 10 - 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 \$218,626 for the year ended June 30, 2011.

LANDMARK ACADEMY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011
See Independent Auditor's Report

NOTE 11 - Interfund Transfers

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

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Transfer In	\$ -	\$ 1,131,335	\$ 69,589
Transfer Out	1,131,103	69,589	233

NOTE 12 - Interfund Transfers - Continued

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 13 - 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 14 - 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.

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, 2011. 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.



Croskey Lanni, PC

September 13, 2011
Rochester, Michigan

LANDMARK ACADEMY

REQUIRED SUPPLEMENTAL INFORMATION
 BUDGETARY COMPARISON SCHEDULE – ALL GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2011
 See Independent Auditor’s Report on Supplemental Information

	General Fund		
	Original Budget	Final Budget	Actual
Revenues			
Local sources	\$ 120,000	\$ 199,300	\$ 217,942
State sources	6,749,203	6,894,600	6,877,268
Federal sources	304,510	448,650	448,696
Total governmental fund revenues	7,173,713	7,542,550	7,543,906
Expenditures			
Elementary school	1,802,856	1,719,200	1,698,810
Middle school	671,975	718,750	704,064
High school	577,614	637,500	618,342
Special education	438,443	389,800	381,580
Compensatory education	270,001	350,000	346,497
Pupil support services	244,726	215,700	208,485
General administration	39,000	47,350	46,056
Executive administration	603,992	623,900	608,846
School administration	967,022	1,017,100	998,403
Business support services	71,000	103,500	103,230
Operations and maintenance	616,540	674,730	662,773
Athletic activities	-	46,000	55,396
Community services	-	25,000	23,296
Total governmental fund expenditures	6,303,169	6,568,530	6,455,778
Excess (deficiency) of revenues over expenditures	870,544	974,020	1,088,128
Other Financing Sources (Uses)			
Payments from (to) intermediate school district	185,000	208,850	208,874
Proceeds from long-term debt	-	-	-
Operating transfers in	276,203	234,200	-
Operating transfers out	(1,316,641)	(1,365,640)	(1,131,103)
Total other financing sources (uses)	(855,438)	(922,590)	(922,229)
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	15,106	51,430	165,899
Fund balance - July 1, 2010	1,623,319	1,623,319	1,623,319
Fund balance - June 30, 2011	\$ 1,638,425	\$ 1,674,749	\$ 1,789,218

LANDMARK ACADEMY

SCHEDULE OF REVENUES – ALL GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011
See Independent Auditor’s Report on Supplemental Information

	General	Debt Service	Capital Projects
Local Sources			
Authorizer grant	\$ 17,324	\$ -	\$ -
Earnings on investments	2,140	25,559	726
Other local revenues	198,478	-	-
Total local sources	217,942	25,559	726
State Sources			
At risk	115,400	-	-
Special education	68,465	-	-
State aid	6,693,403	-	-
Total state sources	6,877,268	-	-
Federal Sources			
ARRA stabilization funds	33,000	-	-
IDEA and ARRA IDEA	191,529	-	-
Title I and ARRA Title I	200,959	-	-
Title II A	20,932	-	-
Title II D	2,276	-	-
Total federal sources	448,696	-	-
Total governmental fund revenues	\$ 7,543,906	\$ 25,559	\$ 726

LANDMARK ACADEMY

SCHEDULE OF EXPENDITURES – ALL GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2011

See Independent Auditor's Report on Supplemental Information

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Elementary School			
Purchased services	\$ 1,623,262	\$ -	\$ -
Supplies and materials	75,548	-	-
Total elementary school	1,698,810	-	-
Middle School			
Purchased services	667,720	-	-
Supplies and materials	36,277	-	-
Other expenditures	67	-	-
Total middle school	704,064	-	-
High School			
Purchased services	549,336	-	-
Supplies and materials	68,541	-	-
Other expenditures	465	-	-
Total high school	618,342	-	-
Special Education			
Purchased services	369,743	-	-
Supplies and materials	11,657	-	-
Other expenditures	180	-	-
Total special education	381,580	-	-
Compensatory Education			
Purchased services	289,273	-	-
Supplies and materials	57,224	-	-
Total compensatory education	346,497	-	-

LANDMARK ACADEMY

SCHEDULE OF EXPENDITURES – ALL GOVERNMENTAL FUNDS - CONTINUED FOR THE YEAR ENDED JUNE 30, 2011

See Independent Auditor's Report on Supplemental Information

Pupil Support Services

Health services	53,610	-	-
Psychological services	3,850	-	-
Social work services	151,025	-	-
Total pupil support services	208,485	-	-

General Administration

Purchased services	17,824	-	-
Other purchased services	46,056	-	-
Total general administration	63,880	-	-

Executive Administration

Management fees	404,200	-	-
University oversight	202,096	-	-
Other expenditures	2,550	-	-
Total executive administration	608,846	-	-

School Administration

Purchased services	924,542	-	-
Rentals	59,812	-	-
Supplies and materials	4,023	-	-
Other expenditures	10,026	-	-
Total school administration	998,403	-	-

Business Support Services

Purchased services	90,810	-	-
Other expenditures	12,420	-	-
Total business support services	103,230	-	-

Operations and Maintenance

Purchased services	324,632	-	-
Repairs and maintenance	137,854	-	-
Supplies and materials	200,287	-	-
Total operations and maintenance	662,773	-	-

LANDMARK ACADEMY

SCHEDULE OF EXPENDITURES – ALL GOVERNMENTAL FUNDS - CONTINUED FOR THE YEAR ENDED JUNE 30, 2011

See Independent Auditor's Report on Supplemental Information

Athletic Activities

Other expenditures	55,396	-	-
	<hr/>	<hr/>	<hr/>
Total athletic activities	55,396	-	-

Community Services

Purchased services	22,445	-	-
Supplies and materials	851	-	-
	<hr/>	<hr/>	<hr/>
Total community services	23,296	-	-

Capital Outlay

-	-	1,699,781
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Debt Principal and Interest

-	7,550,751	-
<hr/>	<hr/>	<hr/>
<u>\$ 6,473,602</u>	<u>\$ 7,550,751</u>	<u>\$ 1,699,781</u>

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

**To the Board of Directors
of 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, 2011, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated September 13, 2011. 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 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 information and use of management, the board of directors, the Michigan Department of Education, and others within the entity and is not intended to be and should not be used by anyone other than those specified parties.

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

Croskey Lanni, PC

September 13, 2011
Rochester, Michigan

September 13, 2011

To the School Board and Management of
Landmark Academy

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Landmark Academy for the year ended June 30, 2011. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards* and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Landmark Academy are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during June 30, 2011. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements were:

Management's estimate of depreciation is based on management's best judgment of the useful lives of the assets. We evaluated the key factors and assumptions used to develop the depreciable lives in determining that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 13, 2011.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Landmark Academy's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Landmark Academy's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Audit Committee, the Board of Directors, and management of Landmark Academy and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Croskey Lanni, PC