

White Pine Academy

Leslie, Michigan

Audited Financial Statements

June 30, 2012

CROSKEY LANNI, PC
CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of White Pine Academy

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of White Pine Academy, as of and for the year ended June 30, 2012, which collectively comprise the Academy's basic financial statements listed in the table of contents. These financial statements are the responsibility of White Pine 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 White Pine Academy as of June 30, 2012, and the respective changes in financial position, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2012 on our consideration of White Pine 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 viii, 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 White Pine 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 10, 2012
Rochester, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of White Pine Academy's, "WPA", annual financial report presents our discussion and analysis of the school's financial performance during the fiscal year that ended on June 30, 2012. Please read it in conjunction with the school's financial statements, which immediately follow this section.

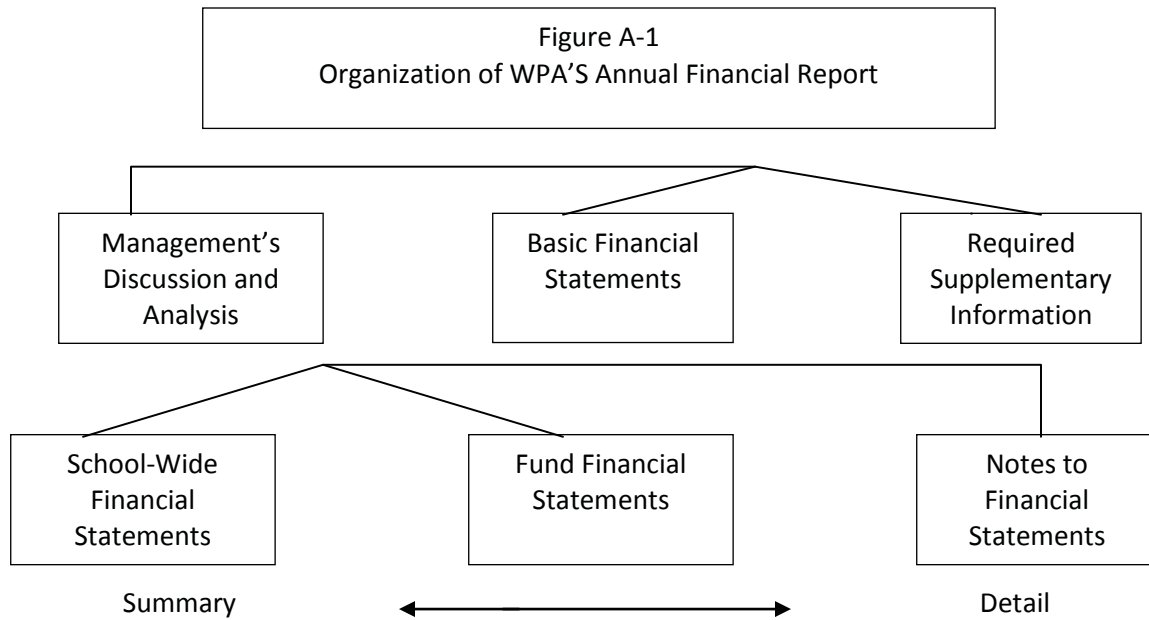
FINANCIAL HIGHLIGHTS

- ❖ The school's fund balance increased this year by \$48,218 as a result of significant budget cuts.
- ❖ The total cost of basic programs was \$317,365.
- ❖ Revenues were at \$967,369 while expenditures were \$919,151.
 - Blended enrollment used for state aid purposes was 114.60 compared to 142.75 last year.
- ❖ The school increased the outstanding long term debt by \$9,383.
- ❖ The school has a positive fund balance in the General Fund of \$58,672.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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



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

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

Fund Financial Statements

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

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

SCHOOL-WIDE STATEMENTS

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

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

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

FUND FINANCIAL STATEMENTS

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

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

The school has two kinds of funds:

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

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

The comparison of current year to prior year financial information is on the following pages. See tables A-3, A-4, and A-5.

The school's financial position is the product of many factors. Due to no increases in state aid for the sixth straight year, there were no new asset purchases for the year.

School Governmental

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

- ❖ A strong fund balance had been accumulated over the years, however the fund balance has dropped below an acceptable amount causing it to be unstable.
- ❖ WPA consistently curtails excessive spending which helped to control the annual deficit resulting from a lower enrollment and a decrease in State Aid during the 2011/2012 school year.

General Fund Budgetary Analysis

Over the course of the year, the school reviewed the annual operating budget several times and amended it once. The following operational changes were made:

- ❖ Significant changes were made in the fourth quarter to account for final enrollment counts, and changes in assumptions since the original budget was adopted.

Financial Outlook

White Pine Academy's financial forecast is cautiously optimistic heading into the 2012/2013 school year. This is partly due to the following:

- ❖ Enrollment has increased from the 2011/2012 school year.

APPENDIX A

Table A-3
WPA's Net Assets

	<u>2012</u>	<u>2011</u>
Current and other assets	\$ 187,430	\$ 331,364
Capital assets	1,794,971	1,907,067
Total assets	<u>1,982,401</u>	<u>2,238,431</u>
Long-term debt outstanding	2,239,643	2,230,260
Other liabilities	126,703	318,303
Total liabilities	<u>2,366,346</u>	<u>2,548,563</u>
Net assets:		
Restricted	(444,672)	(323,193)
Unrestricted	60,727	13,061
Total net assets	<u>\$ (383,945)</u>	<u>\$ (310,132)</u>

Table A-4
Changes in WPA's Net Assets

	<u>2012</u>	<u>2011</u>
Revenues:		
Program revenues:		
Charges for services	\$ 8,200	\$ 11,948
Federal and state operating grants	147,903	132,975
General revenues:		
State aid – unrestricted	790,323	994,214
Miscellaneous	50,795	16,844
Total revenues	<u>997,221</u>	<u>1,155,981</u>
Expenses:		
Instruction	400,755	597,757
Support services	367,300	484,125
Interest on long-term debt	190,884	213,151
Unallocated depreciation	112,095	325,049
Total expenses	<u>1,071,034</u>	<u>1,620,082</u>
Decrease in net assets	<u>\$ (73,813)</u>	<u>\$ (464,101)</u>

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2012, the school had invested \$1,794,971 in capital assets, including facility, computers and software, net of accumulated depreciation. This amount represents a net decrease of \$112,095 from last year after depreciation. (More detailed information about capital assets can be found in Note 7 to the financial statements.)

	Balance <u>June 30, 2012</u>	Balance <u>June 30, 2011</u>
Land	\$ 52,500	\$ 52,500
Building and Improvements	2,403,536	2,403,536
Equipment	<u>224,748</u>	<u>224,748</u>
Subtotal	2,680,784	2,680,784
Accumulated Depreciation	<u>885,813</u>	<u>773,717</u>
Net Book Value	<u>\$ 1,794,971</u>	<u>\$ 1,907,067</u>

The school's fiscal year 2013 budget anticipates no additions in capital assets.

Long-Term Debt

At year end the school had debt of \$2,239,643, consisting of a capital land contract.

- The school long term debt increased by \$9,383.

FACTORS BEARING ON THE SCHOOL'S FUTURE

- Improvement of enrollment trends
- State aid foundation stabilized with federal funds
- A new, modern facility

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

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

White Pine Academy, 510 Russell Street, Leslie, MI 49251

WHITE PINE ACADEMY

STATEMENT OF NET ASSETS

JUNE 30, 2012

See Independent Auditor's Report

ASSETS

Current Assets

Cash and cash equivalents	\$ 29,672
Due from other governmental units	155,258
Prepaid expenses	<u>2,500</u>
Total current assets	187,430

Capital Assets

At cost less accumulated depreciation	<u>1,794,971</u>
Total assets	<u><u>\$ 1,982,401</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities

Notes payable	\$ 71,816
Other accrued expenses	54,887
Long-term debt - current portion	<u>26,208</u>
Total current liabilities	152,911

Long-Term Debt - Long-Term Portion

2,213,435

Net Assets

Invested in capital assets, net of related debt	(444,672)
Unrestricted	<u>60,727</u>
Total net assets	<u>(383,945)</u>
Total liabilities and net assets	<u><u>\$ 1,982,401</u></u>

See accompanying notes to financial statements



WHITE PINE ACADEMY

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

Functions	Expenses	Program Revenues		Net (Expense) Revenues and Changes in Net Assets
		Charges for Services	Operating Grants	Government Type Activities
Elementary school	\$ 285,500	\$ -	\$ 114,219	\$ (171,281)
Pre-Kindergarten	31,865	-	-	(31,865)
Special education	22,400	-	12,032	(10,368)
Compensatory education	60,990	-	-	(60,990)
Pupil support services	3,350	-	-	(3,350)
General administration	11,076	-	-	(11,076)
Executive administration	43,845	-	-	(43,845)
School administration	189,711	-	-	(189,711)
Business support services	19,539	-	-	(19,539)
Operations and maintenance	63,667	-	-	(63,667)
Food services	30,404	8,200	21,652	(552)
Community services	5,708	-	-	(5,708)
Unallocated depreciation	112,095	-	-	(112,095)
Unallocated interest	190,884	-	-	(190,884)
Total primary government	<u>\$ 1,071,034</u>	<u>\$ 8,200</u>	<u>\$ 147,903</u>	<u>(914,931)</u>

General Purpose Revenues:

State school aid - unrestricted	790,323
Miscellaneous revenues	50,795
Total general purpose revenues	<u>841,118</u>
Excess of expenses over revenues	(73,813)
Net assets - July 1, 2011	<u>(310,132)</u>
Net assets - June 30, 2012	<u>\$ (383,945)</u>

See accompanying notes to financial statements

WHITE PINE ACADEMY

COMBINED BALANCE SHEET – ALL FUND TYPES

JUNE 30, 2012

See Independent Auditor's Report

ASSETS

	<u>General</u>	<u>School Service</u>
Cash and cash equivalents	\$ 27,732	\$ 1,940
Due from other governmental units	155,143	115
Prepaid expenses	<u>2,500</u>	<u>-</u>
Total assets	<u>\$ 185,375</u>	<u>\$ 2,055</u>

LIABILITIES AND FUND BALANCE

Liabilities

Notes payable	\$ 71,816	\$ -
Other accrued expenses	<u>54,887</u>	<u>-</u>
Total liabilities	126,703	-

Fund Balance

Nonspendable	2,500	-
Restricted	-	2,055
Unassigned	<u>56,172</u>	<u>-</u>
Total fund balance	<u>58,672</u>	<u>2,055</u>
Total liabilities and fund balance	<u>\$ 185,375</u>	<u>\$ 2,055</u>

See accompanying notes to financial statements

WHITE PINE ACADEMY

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

JUNE 30, 2012

See Independent Auditor's Report

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

Total Governmental Fund Balances	\$ 60,727
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$2,680,784 and the accumulated depreciation is \$885,813.	1,794,971
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(2,239,643)</u>
Net Assets of Governmental Activities	<u>\$ (383,945)</u>

WHITE PINE ACADEMY

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE – ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2012
See Independent Auditor’s Report

	General	School Service
Revenues		
Local sources	\$ 51,795	\$ 8,200
State sources	820,563	993
Federal sources	49,496	20,659
	921,854	29,852
Expenditures		
Elementary school	285,500	-
Pre-Kindergarten	31,865	-
Special education	22,400	-
Compensatory education	60,990	-
Pupil support services	3,350	-
General administration	11,076	-
Executive administration	43,845	-
School administration	189,711	-
Business support services	19,539	-
Operations and maintenance	63,667	-
Food services	-	30,404
Community services	5,708	-
Debt principal and interest	181,500	-
	919,151	30,404
Excess (deficiency) of revenues over expenditures	2,703	(552)
Other Financing Sources (Uses)		
Payments from (to) intermediate school district	45,515	-
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	48,218	(552)
Fund balance - July 1, 2011	10,454	2,607
Fund balance - June 30, 2012	\$ 58,672	\$ 2,055

See accompanying notes to financial statements



WHITE PINE ACADEMY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012
See Independent Auditor's Report

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

Net Change in Fund Balances - Total Governmental Funds	\$	47,666
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation and amortization expense. This is the amount by which capital outlays exceeded depreciation and amortization in the current period.

Depreciation and amortization expense	(112,095)
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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	\$ 22,377	
Interest expense	<u>(31,761)</u>	
		<u>(9,384)</u>

Change in Net Assets of Governmental Activities	\$	<u><u>(73,813)</u></u>
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WHITE PINE ACADEMY

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2012
See Independent Auditor's Report

ASSETS

	<u>Agency</u>
Cash and cash equivalents	\$ 1,100
Total assets	<u>\$ 1,100</u>

LIABILITIES

Due to student groups	\$ 1,100
Total liabilities	<u>\$ 1,100</u>

WHITE PINE ACADEMY

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of White Pine 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

White Pine 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, 2000, and began operation in July 2000.

In July 2009, the Academy entered into a five-year contract with the Saginaw Valley State University 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 the Saginaw Valley State University Board of Control three percent of state aid as administrative fees. Total administrative fees paid for the year ended June 30, 2012 were approximately \$23,300.

In July 2010 the Academy entered into a three-year agreement with Advance Educational Services, Inc. "Advance". Under the terms of this agreement, Advance will provide a variety of services including payroll and human resource services. In April 2011, the Academy entered into an additional agreement to provide accounting services. The Academy is obligated to pay Advance 4.1 percent of its gross pay for payroll services and \$1,250 monthly for account services. Total paid for these services amounted to approximately \$30,600 for the year ended June 30, 2012.

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

Fund Financial Statements

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

WHITE PINE ACADEMY

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Basis of Presentation – Fund Accounting

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

Governmental Funds

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

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

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

Debt Service Fund - The debt service fund, which the Academy does not currently maintain, 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, which the Academy does not currently maintain, 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:

WHITE PINE ACADEMY

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES— Continued

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

Government-Wide Financial Statements

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

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

WHITE PINE ACADEMY

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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

Cash and Cash Equivalents

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

Receivables

Receivables at June 30, 2012 consist primarily of state school aid due from the State of Michigan and the federal government. All receivables are expected to be fully collected in July and August of 2012 and are considered current for the purposes of these financial statements.

Prepaid Assets

Payments made to vendors for services that will benefit periods beyond June 30, 2012, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

WHITE PINE ACADEMY

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Capital Assets and Depreciation

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

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

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

Accrued Liabilities and Long-Term Obligations

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

Net Assets

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

Fund Equity

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

WHITE PINE ACADEMY

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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

- a. *Restricted fund balance* – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- b. *Committed fund balance* – amounts constrained to specific purposes by the Board; to be reported as committed, amounts cannot be used for any other purpose unless the Board takes action to remove or change the constraint.
- c. *Assigned fund balance* – amounts the Board intends to use for a specific purpose; intent can be expressed by the Board or by an official or committee to which the Board delegates the authority.
- d. *Unassigned fund balance* – amounts that are available for any purpose; these amounts are reported only in the general fund.

The Academy follows the policy that restricted, committed, or assigned amounts will be considered to have been spent when an expenditure is incurred for purposes for which both unassigned and restricted, committed, or assigned fund balances are available.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

WHITE PINE ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2012
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, 2012 the budget was amended in a legally permissible manner. The Academy had expenditures in certain budgetary functions that were insignificantly in excess of the amounts appropriated for the year ended June 30, 2012 as detailed on page 20 of these financial statements.

NOTE 3 - DEPOSITS AND INVESTMENTS

Interest Rate Risk

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

Credit Risk

State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2012, the Academy did not have any investments.

Concentration of Credit Risk

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

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2012, none of the Academy's cash was exposed to custodial credit risk because it was uninsured. All cash balances were uncollateralized as of June 30, 2012.

WHITE PINE ACADEMY

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

NOTE 3 - DEPOSITS AND INVESTMENTS - Continued

Custodial Credit Risk - Investments

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

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

Foreign Currency Risk

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

NOTE 4 – DUE FROM OTHER GOVERNMENTAL UNITS

Amounts due from other governmental units consist of the following:

State sources	\$ 149,375
Federal sources	<u>5,883</u>
Total	<u><u>\$ 155,258</u></u>

WHITE PINE ACADEMY

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

NOTE 5 - CAPITAL ASSETS

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

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Balance</u> <u>June 30, 2012</u>
Building	\$ 2,390,909	\$ -	\$ 2,390,909
Equipment	224,748	-	224,748
Improvements	12,627	-	12,627
Land - nondepreciable	52,500	-	52,500
Total cost	2,680,784	-	2,680,784
Less accumulated depreciation	773,718	112,095	885,813
Undepreciated cost	<u>\$ 1,907,066</u>	<u>\$ (112,095)</u>	<u>\$ 1,794,971</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.

NOTE 6 – NOTE PAYABLE

Notes payable as of June 30, 2012 can be summarized as follows:

Loan Information

	<u>Interest</u> <u>Rate</u>	<u>Maturity</u> <u>Date</u>	<u>Other</u>
SAAN 10/11 - 1	3.98%	July, 2011	Paid in full as of June 30, 2012
SAAN 10/11 - 2	2.75%	August, 2011	Paid in full as of June 30, 2012
SAAN 11/12	3.45%	August, 2012	Issued to provide the Academy with funds to finance operations before first state aid payment is received; secured by future state aid payments

Loan Activity

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Retirements</u> <u>and Payments</u>	<u>Balance</u> <u>June 30, 2012</u>
SAAN 10/11 - 1	\$ 29,562	\$ -	\$ 29,562	\$ -
SAAN 10/11 - 2	200,000	-	200,000	-
SAAN 11/12	-	400,000	328,184	71,816
Total loan activity	<u>\$ 229,562</u>	<u>\$ 400,000</u>	<u>\$ 557,746</u>	<u>\$ 71,816</u>

WHITE PINE ACADEMY

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

NOTE 7 – ACCRUED EXPENSES

Purchased services - payroll and benefits	\$ 45,534
University oversight fee	4,211
Other accrued expenditures	<u>5,142</u>
Total accrued expenses	<u>\$ 54,887</u>

NOTE 8 - LONG-TERM OBLIGATIONS PAYABLE

Long-term obligations as of June 30, 2012 can be summarized as follows:

Loan Information

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Other</u>
Land contract	8.60%	January, 2015	Renegotiated payment to \$18,150 monthly and reduced interest payment to 8.60%; per agreement, 2 payments were deferred to the end of the loan.

Loan Activity

	<u>Balance July 1, 2011</u>	<u>Additions</u>	<u>Retirements and Payments</u>	<u>Balance June 30, 2012</u>	<u>Due Within One Year</u>
Land contract	<u>\$ 2,230,260</u>	<u>\$ 31,760</u>	<u>\$ 22,377</u>	<u>\$ 2,239,643</u>	<u>\$ 26,208</u>

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

	<u>Principal</u>	<u>Interest</u>
2013	\$ 26,208	\$ 191,592
2014	28,553	189,247
2015	2,184,882	109,229

WHITE PINE ACADEMY

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

NOTE 9 - RISK MANAGEMENT

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

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTAL INFORMATION

To the Board of Directors of White Pine Academy

We have audited the accompanying financial statements of White Pine Academy for the year ended June 30, 2012. Our audit was made for the purpose of forming an opinion on the financial statements as a whole. The additional information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of White Pine 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 10, 2012
Rochester, Michigan

WHITE PINE ACADEMY

REQUIRED SUPPLEMENTAL INFORMATION
 BUDGETARY COMPARISON SCHEDULE – ALL GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2012
 See Independent Auditor’s Report on Supplemental Information

	General Fund		
	Original Budget	Final Budget	Actual
Revenues			
Local sources	\$ 45,000	\$ 49,700	\$ 51,795
State sources	944,050	821,423	820,563
Federal sources	29,126	55,565	49,496
Total governmental fund revenues	1,018,176	926,688	921,854
Expenditures			
Elementary school	343,129	291,969	285,500
Pre-Kindergarten	-	31,776	31,865
Special education	-	22,546	22,400
Compensatory education	74,579	63,921	60,990
Pupil support services	7,200	5,200	3,350
Instructional staff support services	7,500	1,000	-
General administration	7,500	11,500	11,076
Executive administration	47,089	44,187	43,845
School administration	211,350	193,038	189,711
Business support services	22,250	19,750	19,539
Operations and maintenance	67,695	64,010	63,667
Food services	-	-	-
Community services	7,816	5,573	5,708
Debt principal and interest	237,600	181,500	181,500
Total governmental fund expenditures	1,033,708	935,970	919,151
Excess (deficiency) of revenues over expenditures	(15,532)	(9,282)	2,703
Other Financing Sources (Uses)			
Payments from (to) intermediate school district	15,000	46,512	45,515
Operating transfers in	5,235	-	-
Operating transfers out	-	(3,000)	-
Total other financing sources (uses)	20,235	43,512	45,515
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	4,703	34,230	48,218
Fund balance - July 1, 2011	10,454	10,454	10,454
Fund balance - June 30, 2012	\$ 15,157	\$ 44,684	\$ 58,672

School Service Fund

<u>Original Budget</u>		<u>Final Budget</u>		<u>Actual</u>	
\$	15,000	\$	8,000	\$	8,200
	635		634		993
	15,000		18,000		20,659
	<u>30,635</u>		<u>26,634</u>		<u>29,852</u>
	-		-		-
	-		-		-
	-		-		-
	-		-		-
	-		-		-
	-		-		-
	-		-		-
	-		-		-
	30,634		31,782		30,404
	-		-		-
	-		-		-
	<u>30,634</u>		<u>31,782</u>		<u>30,404</u>
	1		(5,148)		(552)
	-		-		-
	-		3,000		-
	-		-		-
	<u>-</u>		<u>3,000</u>		<u>-</u>
	1		(2,148)		(552)
	2,607		2,607		2,607
<u>\$</u>	<u>2,608</u>	<u>\$</u>	<u>459</u>	<u>\$</u>	<u>2,055</u>

WHITE PINE ACADEMY

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

	General	School Service
Local Sources		
Authorizer grant	\$ 1,000	\$ -
School lunch	-	8,200
Other local revenues	50,795	-
Total local sources	51,795	8,200
State Sources		
At risk	18,208	-
School lunch	-	993
Special education	12,032	-
State aid	790,323	-
Total state sources	820,563	993
Federal Sources		
National school lunch	-	20,659
Title I	17,668	-
Title II A	12,273	-
Other program revenue	19,555	-
Total federal sources	49,496	20,659
Total governmental fund revenues	\$ 921,854	\$ 29,852

WHITE PINE ACADEMY

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

See Independent Auditor's Report on Supplemental Information

	General	School Service
Elementary School		
Purchased services	\$ 269,928	\$ -
Rentals	4,851	-
Supplies and materials	10,454	-
Other expenditures	267	-
Total elementary school	285,500	-
Pre-Kindergarten		
Purchased services	31,705	-
Supplies and materials	160	-
Total Pre-Kindergarten	31,865	-
Special Education		
Purchased services	15,648	-
Supplies and materials	6,752	-
Total special education	22,400	-
Compensatory Education		
Purchased services	60,990	-
Pupil Support Services		
Social work services	3,350	-
General Administration		
Purchased services	11,076	-
Executive Administration		
Management fees	20,553	-
University oversight	23,292	-
Total executive administration	43,845	-

WHITE PINE ACADEMY

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

See Independent Auditor's Report on Supplemental Information

School Administration

Purchased services	185,198	-
Rentals	831	-
Supplies and materials	1,462	-
Other expenditures	2,220	-

Total school administration	189,711	-
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Business Support Services

Purchased services	10,000	-
Other expenditures	9,539	-

Total business support services	19,539	-
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Operations and Maintenance

Purchased services	51,582	-
Repairs and maintenance	10,557	-
Supplies and materials	1,528	-

Total operations and maintenance	63,667	-
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Food Services

Purchased services	-	5,951
Supplies and materials	-	23,792
Other expenditures	-	661

Total food services	-	30,404
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Community Services

Purchased services	5,708	-
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Debt Principal and Interest

	181,500	-

	<u>\$ 919,151</u>	<u>\$ 30,404</u>
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**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 White Pine Academy**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of White Pine Academy as of and for the year ended June 30, 2012, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated September 10, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of White Pine Academy is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered White Pine 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 White Pine Academy's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the White Pine 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 and Other Matters

As part of obtaining reasonable assurance about whether White Pine 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 10, 2012
Rochester, Michigan

WHITE PINE ACADEMY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2012

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

Fiscal Year: 2011

Finding Number: 2011-1

Finding: The Academy did not have sufficient expenditures to cover the amount of one draw down.

CFDA Number: 84.367

Comments: The Academy has implemented additional processes to ensure federal draw downs are made after the expenditures have been paid for.

2) *Audit findings not corrected or partially corrected:*
