



DETOUR ARTS & TECHNOLOGY ACADEMY
Chippewa County, Michigan

Annual Financial Report

For the year ended June 30, 2015

DETOUR ARTS & TECHNOLOGY ACADEMY
Table of Contents

For the year ended June 30, 2015

Financial Section

<i>Independent Auditor's Report</i>	1
<i>Management's Discussion and Analysis</i>	4
<i>Basic Financial Statements</i>	11
Academy-Wide Financial Statements:	
Statement of Net Position	12
Statement of Activities	13
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	14
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities	15
Statement of Revenues, Expenditures and Changes in Fund Balances	16
Reconciliation of the Statement of Revenues, Expenditures and Changes In Fund Balances of Governmental Funds to the Statement of Activities	17
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	18
Fiduciary Funds:	
Statement of Fiduciary Net Position	19
Notes to Basic Financial Statements	20
<i>Supplementary Information</i>	
Agency Fund	30
Student Activities Agency Fund:	
Statement of Changes in Assets and Liabilities	31
<i>Internal Control and Compliance</i>	32
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	33

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

October 19, 2015

The Board of Directors
DeTour Arts & Technology Academy
Chippewa County, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund and the aggregate remaining fund information of DeTour Arts & Technology Academy (the "Academy") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund information of DeTour Arts & Technology Academy as of June 30, 2015, and the respective changes in financial position and budgetary comparison for the General Fund for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 10 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2015 on our consideration of DeTour Arts & Technology Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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* in considering DeTour Arts & Technology Academy's internal control over financial reporting and compliance.



Certified Public Accountants

This page intentionally left blank.

MANAGEMENT'S DISCUSSION AND ANALYSIS



As management of the DeTour Arts & Technology Academy (“the Academy”), we offer readers of the Academy’s financial statements this narrative overview and analysis of the financial activities of the Academy for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with the Academy’s financial statements, which immediately follow this section.

Overview of the Financial Statements

This annual report consists of three parts: Management's Discussion and Analysis (this section), the Basic Financial Statements and Supplementary Information. The Basic Financial Statements include two kinds of statements that present different views of the Academy:

- The first two statements, the Statement of Net Position and the Statement of Activities, are *academy-wide financial statements* that provide both short-term and long-term information about the Academy’s overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the Academy, reporting the Academy’s operations in more detail than the academy-wide statements.
 - ♦ *Governmental funds statements* tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending.
 - ♦ *Fiduciary funds statements* provide information about the financial relationships in which the Academy acts solely as a trustee or agent for the benefit of others.

The Basic Financial Statements also include Notes to Basic Financial Statements that explain the information in the Basic Financial Statements and provide more detailed data. Supplementary Information follows and includes combining and individual fund statements.

Academy-wide Statements

The academy-wide financial statements report information about the Academy as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the Academy’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 academy-wide statements report the Academy’s net position, and how it has changed. Net position - the difference between the Academy’s assets and liabilities - is one way to measure the Academy’s financial health or position.

- Over time, increases or decreases in the Academy’s net position is an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the Academy’s overall health, one should consider additional non-financial factors such as changes in the Academy’s property tax-base, economic factors that might influence state aid revenue, and the condition of school buildings and other facilities.

In the academy-wide financial statements, the Academy’s activities are presented as follows:

- *Governmental activities*: The Academy’s basic services are included here, such as regular and special education, instructional support, transportation, administration, business, and operation and maintenance. State aid finances most of these activities.



Condensed Academy-wide Financial Information

The Statement of Net Position provides financial information on the Academy as a whole. The balances for fiscal year end June 30, 2014 have been restated to correctly include net capital assets of \$99,195 owned by the Academy.

	<u>2015</u>	<u>2014</u>
Assets		
Current assets	\$ 187,273	\$ 216,674
Noncurrent assets	48,535	99,195
Total Assets	<u>235,808</u>	<u>315,869</u>
Liabilities		
Current liabilities	<u>158,050</u>	<u>96,753</u>
Net Position		
Net investment in capital assets	48,535	99,195
Unrestricted	29,223	119,921
Total Net Position	<u><u>\$ 77,758</u></u>	<u><u>\$ 219,116</u></u>

The Statement of Activities presents changes in net position from operating results:

	<u>2015</u>	<u>2014</u>
Program Revenues		
Operating grants	\$ 77,908	\$ 78,292
General Revenues		
State school aid, unrestricted	411,422	466,054
Other	1,850	3,314
Total Revenues	<u>491,180</u>	<u>547,660</u>
Expenses		
Instruction	466,013	440,108
Supporting services	112,183	98,561
Other	3,682	—
Depreciation – unallocated	50,660	—
Total Expenses	<u>632,538</u>	<u>538,669</u>
Increase (decrease) in net position	(141,358)	8,991
Net Position - Beginning of Year, as restated	<u>219,116</u>	<u>110,930</u>
Net Position - End of Year	<u><u>\$ 77,758</u></u>	<u><u>\$ 119,921</u></u>



Financial Analysis of the Academy as a Whole

The Academy's financial position is the product of many factors. A decrease in pupil count resulted in a decrease in State aid.

The Academy's total revenues were \$491,180. Unrestricted State aid accounted for most of the Academy's revenues, contributing 84% of the total. The remainder came from federal aid for specific programs and other local sources.

The total cost of all programs was \$632,538. The Academy's expenses are predominantly related to instructing, caring for (pupil services) and transporting students (74 percent). The Academy's operation and maintenance services accounted for 2 percent of total costs.

Total expenses exceeded revenues by \$141,358 on the Statement of Activities, decreasing total net position (as restated) from \$219,116 at June 30, 2014 to \$77,758 at June 30, 2015. Unrestricted Net Assets decreased from \$119,921 at June 30, 2014 to \$29,223 at June 30, 2015

The current position of the Academy's finances can be credited to careful monitoring of economic changes and appropriate cost-cutting measures to maintain programs during these challenging economic times. Despite the ongoing uncertainty of funding revenue from the State of Michigan, the Academy has endeavored to maintain a positive fund balance.

- The Academy has conducted a thorough budget analysis and has broken the budget down into specific components and their related expenses. This has allowed the Academy to prioritize expenses, and also to identify where cuts could occur if necessary.
- Regular updates were provided to the Board of Education during the school year. This information is also presented to the community via the Academy's website.

Fund Financial Statements

The fund financial statements provide more detailed information about the Academy's funds, focusing on its most significant or "major" funds - not the Academy as a whole. Funds are accounting devices the Academy uses to keep track of specific sources of funding and spending on particular programs. As a general rule, fund balances from one fund are prohibited from being expended on expenditures of another fund.

The Academy utilizes two kinds of funds:

- *Governmental funds*: Most of the Academy'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 the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the Academy's programs. Because this information does not encompass the additional long-term focus of the academy-wide statements, additional information following the governmental funds' statements explain the relationship (or differences) between them.
- *Fiduciary funds*: The Academy is the trustee, or fiduciary, for assets that belong to others, such as Scholarship and Student Activities Funds. The Academy 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. The Academy excludes these activities from the academy-wide financial statements because it cannot use these assets to finance its operations.



Financial Analysis of the Academy's Funds

The Academy uses funds to record and analyze financial information. DeTour Arts & Technology Academy's funds are described as follows:

Major Fund

- The General Fund is our primary operating fund. The General Fund had total revenues of \$491,180, total expenditures of \$578,196, and total other financing uses of \$3,682. The General Fund ended the fiscal year with a fund balance of \$29,223, down from \$119,921 at June 30, 2014.

Fiduciary Fund

- The Student Activities Fund is operated as an Agency Fund of the Academy. The assets of this fund are being held for the benefit of Academy students. Balances on hand at June 30, 2015 totaled \$17,306.

General Fund Budgetary Highlights

During the course of the year, the Academy continuously reviews the annual operating budget after the June adoption. Changes in the budget are due to the following:

- Changes made in the fall to account for the final student enrollment, which determines how much state foundation grant will be received during the fiscal year.
- Final amendments are made in June for changes in appropriations to prevent budget overruns and adjustments in expenses made by administration.
- The final budget for the General Fund anticipated the fund balance to be 5% of General Fund expenditures and transfers, with that percentage being the actual result.
- The decrease in fund balance was due primarily to the reduction in the Academy's student enrollment in the elementary school.

Capital Asset and Debt Administration

Capital Assets

By the end of 2015, the Academy had a \$268,264 investment in capital assets, including furniture, computer equipment and software. (More detailed information about capital assets can be found in Note E in the Notes to Basic Financial Statements.)

At June 30, 2015, the Academy's investment in capital assets (net of accumulated depreciation), was \$48,535. There were no capital asset additions for the fiscal year and accumulated depreciation increased \$50,660.



The Academy's net investment in capital assets, including furniture, computer equipment and software, is detailed as follows:

Furniture and equipment	\$ 42,319
Software	<u>6,216</u>
Net Capital Assets	<u><u>\$ 48,535</u></u>

Long-term Debt

The Academy had no long-term debt during, or at, the year ended June 30, 2015.

Factors Bearing on the Academy's Future

At the time these financial statements were prepared and audited, the Academy was aware of the following circumstances that could significantly affect its financial health in the future:

- Declining student enrollment and an increase in personnel costs for high need students may have a negative impact on both state funding and a corresponding increase in costs.
- The Educational Service Provider District and bargaining units agreement expires at the end of the 2015-16 school year. The current contract provides health insurance utilizing MESSA Choices II Plan as the standard plan with staff paying premium costs over the state hard cap. Recent changes to laws regulating the bidding and procurement of health insurance may change the way insurance is provided to the bargaining units, with a direct impact to the Educational Service Provider Agreement.
- Recent months have seen a lot of legislative activity in the areas of teacher tenure, seniority and layoffs, teacher and administrator evaluations, student achievement and employee contributions to health insurance.
- The Academy is seeking an alternative student base with an online third party contractor. This agreement may have a positive impact on foundation revenue.
- As the Academy continues to face the budget challenges of the current and upcoming school years, operating efficiencies and balanced budgets will be necessary. The ability to continue to operate an adequate educational system with continued less revenue and increasing expenditures is the challenge of the future. The Board of Education is currently working on strategic plan goals that include fiscal oversight, fiscal responsibility, and financial planning.

Contacting the Academy's Financial Management

This financial report is designed to provide the Academy's citizens, taxpayers, customers, and investors and creditors with a general overview of the Academy's finances and to demonstrate the Academy's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, DeTour Arts & Technology Academy, 298 E. M 134, Cedarville, 49719.

This page intentionally left blank.

BASIC FINANCIAL STATEMENTS

DETOUR ARTS & TECHNOLOGY ACADEMY
Statement of Net Position
June 30, 2015

	<u>Governmental Activities</u>
Assets	
Cash equivalents (Note B)	\$ 70,369
Accounts receivable	1,622
Due from other governmental units	115,282
Capital assets being depreciated, net (Note E)	<u>48,535</u>
Total Assets	<u>235,808</u>
Liabilities	
Due to other governmental units	<u>158,050</u>
Net Position	
Net investment in capital assets	48,535
Unrestricted	<u>29,223</u>
Total Net Position	<u><u>\$ 77,758</u></u>

See accompanying notes to basic financial statements.

DETOUR ARTS & TECHNOLOGY ACADEMY
Statement of Activities
For the year ended June 30, 2015

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes In Net Position
		Charges for Services	Operating Grants	
Governmental Activities				
Instruction	\$ 466,013	\$ -	\$ 77,908	\$ (388,105)
Supporting services	112,183	-	-	(112,183)
Other	3,682	-	-	(3,682)
Depreciation - unallocated*	50,660	-	-	(50,660)
Total Governmental Activities	\$ 632,538	\$ -	\$ 77,908	(554,630)
General Revenues				
				411,422
				1,850
				413,272
				(141,358)
				119,921
				99,195
				219,116
				\$ 77,758

*This amount excludes direct depreciation expenses of the various programs.

See accompanying notes to basic financial statements.

DETOUR ARTS & TECHNOLOGY ACADEMY
Balance Sheet
Governmental Funds
June 30, 2015

Assets	<u>General</u>
Cash equivalents (Note B)	\$ 70,369
Due from other funds (Note D)	1,622
Due from other governmental units	<u>115,282</u>
Total Assets	<u><u>\$ 187,273</u></u>
Liabilities and Fund Balances	
Liabilities	
Due to other governmental units	<u>\$ 158,050</u>
Fund Balances (Note A)	
Unassigned	<u>29,223</u>
Total Liabilities and Fund Balances	<u><u>\$ 187,273</u></u>

See accompanying notes to basic financial statements.

DETOUR ARTS & TECHNOLOGY ACADEMY
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2015

Total governmental fund balances	\$ 29,223
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is \$268,264 and accumulated depreciation is \$219,719.	<u>48,535</u>
Total net position - governmental activities	<u><u>\$ 77,758</u></u>

See accompanying notes to basic financial statements.

DETOUR ARTS & TECHNOLOGY ACADEMY
Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2015

	General
Revenues	
Local sources	\$ 1,850
State sources	423,911
Federal sources	54,969
Interdistrict sources	10,450
Total Revenues	491,180
Expenditures	
Current:	
Instruction	466,013
Supporting services	112,183
Total Expenditures	578,196
Excess (Deficiency) of Revenues Over Expenditures	(87,016)
Other Financing Sources (Uses)	
Other	(3,682)
Net Change in Fund Balances	(90,698)
Fund Balances, Beginning of Year	119,921
Fund Balances, End of Year	\$ 29,223

See accompanying notes to basic financial statements.

DETOUR ARTS & TECHNOLOGY ACADEMY
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the year ended June 30, 2015

Net change in fund balances - total governmental funds \$ (90,698)

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

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

	Capital outlays	\$ -	
	Depreciation expense	(50,660)	(50,660)

Total changes in net position - governmental activities \$ (141,358)

DETOUR ARTS & TECHNOLOGY ACADEMY
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2015

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
Revenues				
Local sources	\$ -	\$ 1,850	\$ 1,850	\$ -
State sources	413,358	423,910	423,911	1
Federal sources	49,321	52,096	54,969	2,873
Interdistrict sources	-	10,450	10,450	-
Total Revenues	<u>462,679</u>	<u>488,306</u>	<u>491,180</u>	<u>2,874</u>
Expenditures				
Current:				
Instruction:				
Basic programs	330,137	375,747	379,438	(3,691)
Added needs	56,179	87,562	86,575	987
Supporting services:				
General administrative services	43,232	62,604	62,604	-
School administrative services	10,600	19,171	18,971	200
Business services	10,610	9,585	9,585	-
Operation and maintenance services	10,446	15,628	15,628	-
Pupil transportation services	-	190	190	-
Central services	3,156	5,205	5,205	-
Total Expenditures	<u>464,360</u>	<u>575,692</u>	<u>578,196</u>	<u>(2,504)</u>
Excess (Deficiency) of Revenues Over Expenditures	(1,681)	(87,386)	(87,016)	370
Other Financing Sources (Uses)				
Other	-	(3,682)	(3,682)	-
Net Change in Fund Balances	(1,681)	(91,068)	(90,698)	370
Fund Balances, Beginning of Year	<u>119,921</u>	<u>119,921</u>	<u>119,921</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 118,240</u>	<u>\$ 28,853</u>	<u>\$ 29,223</u>	<u>\$ 370</u>

See accompanying notes to basic financial statements.

DETOUR ARTS & TECHNOLOGY ACADEMY
Fiduciary Fund
Statement of Fiduciary Assets and Liabilities
June 30, 2015

	<u>Agency Fund</u>
Assets	
Cash equivalents (Note B)	<u>\$ 17,306</u>
Liabilities	
Due to other funds (Note D)	\$ 1,622
Due to student groups	<u>15,684</u>
Total Liabilities	<u>\$ 17,306</u>

See accompanying notes to basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

DETOUR ARTS & TECHNOLOGY ACADEMY
Notes to Basic Financial Statements
June 30, 2015

Note A – Summary of Significant Accounting Policies

DeTour Arts & Technology Academy received its charter under Public Act 416 of 1994 from Lake Superior State University. As part of the chartering process, DeTour Arts & Technology Academy filed Articles of Incorporation with the Michigan Department of Commerce. According to the contract with Lake Superior State University, DeTour Arts & Technology Academy is to act exclusively as a governmental agency, for the purposes of operating as a public school academy, and is not to undertake any action inconsistent with its status as an entity authorized to receive state school aid funds pursuant to the State Constitution. Under this contract, Lake Superior State University provides certain services to DeTour Arts & Technology Academy including approval of DeTour Arts & Technology Academy's operating plan, monitoring compliance with provisions of the charter contract and the selection of members for the Board of Directors. Lake Superior State University is paid 3% of State Aid payments received by DeTour Arts & Technology Academy for such services.

The Academy is governed by a Board of Directors consisting of seven members approved by Lake Superior State University and administered by a Principal who is appointed by the aforementioned Board. The Academy provides educational services for approximately 56 full-time students as specified by State statute and Board of Directors policy. These services include secondary education and general administrative services.

The financial statements of DeTour Arts & Technology Academy (the "Academy") have been prepared in conformity with accounting principles generally accepted in the United States of America as applicable to school Academies. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The Academy's significant accounting policies are described below.

1. Reporting Entity

The financial reporting entity consists of a primary government and its component units. The Academy is a primary government because it is a special-purpose government that has a separately appointed governing body, is legally separate and is fiscally independent of other state or local governments. Furthermore, there are no component units combined with the Academy for financial statement presentation purposes, and the Academy is not included in any other governmental reporting entity. Consequently, the Academy's financial statements include the funds of those organizational entities for which its elected governing board is financially accountable.

2. Academy-wide and Fund Financial Statements

Academy-wide Financial Statements - The academy-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) present financial information about the Academy as a whole. The reported information includes all of the nonfiduciary activities of the Academy. The Academy does not allocate indirect costs and, for the most part, the effect of interfund activity has been removed. These statements are to distinguish between the *governmental* and *business-type activities* of the Academy. *Governmental activities* normally are supported by taxes and intergovernmental revenues, and are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The Academy does not have any *business-type activities*.

The Statement of Net Position is reported on the full accrual, economic resource basis, which recognizes all long-term assets as well as all long-term debt and obligations. The Academy's net position is reported in three parts: net investment in capital assets, restricted net assets, and unrestricted net assets.

DETOUR ARTS & TECHNOLOGY ACADEMY
Notes to Basic Financial Statements
June 30, 2015

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Unrestricted state aid, interest earnings and other items not included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the academy-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The General Fund is the Academy's only major fund.

Fund Financial Statements – Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Fund level statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances. The Balance Sheet reports current assets, current liabilities and fund balances. The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources and uses of current financial resources. This differs from the economic resources measurement focus used to report at the academy-wide level. Reconciliations between the two sets of statements are provided in separate schedules.

Revenues are recognized when susceptible to accrual; i.e., both measurable and available. 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 60 days after the end of the current fiscal period. Expenditures are generally recorded when the liability is incurred, if they are paid within 60 days after the end of the current fiscal period. The exception to this general rule is that principal and interest on long-term debt is recognized when due.

Revenues susceptible to accrual are state aid, federal and interdistrict revenues and investment income. Other revenues are recognized when received. Unearned revenue arises when potential revenue does not meet both the measurable and available criteria for recognition in the current period. Unearned revenue also arises when resources are received by the Academy before it has a legal claim to them, as when grant monies are received prior to the incurrence of the qualifying expenditures.

3. Measurement Focus, Basis of Accounting and Financial Statement Presentation

Academy-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as is the fiduciary fund financial statement. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met.

The State of Michigan utilizes a foundation allowance approach, which provides for a 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. Revenues from State sources are 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 revenues in accordance with State law and accounting principles generally accepted in the United States of America.

DETOUR ARTS & TECHNOLOGY ACADEMY
Notes to Basic Financial Statements
June 30, 2015

Governmental Funds

Governmental funds are those funds through which most school academy functions typically are financed. The acquisition, use and balances of a school academy's expendable financial resources and the related current liabilities are accounted for through governmental funds.

Major Funds:

The *General Fund* is the general operating fund of the Academy. It is used to account for all financial resources, except those required to be accounted for in another fund. Included are all transactions related to the current operating budget.

Fiduciary Funds

Fiduciary Funds are used to account for assets held by the Academy in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. Fiduciary Fund net position and results of operations are not included in the academy-wide financial statements. Fiduciary funds are reported using the economic resources measurement focus.

Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Academy presently maintains a Student Activities Fund to record the transactions of student groups for school and school related purposes. The funds are segregated and held in trust for the students.

When both restricted and unrestricted resources are available for use, it is the Academy's policy to use restricted resources first, then unrestricted as they are needed.

4. Budgets and Budgetary Accounting

State of Michigan Public Act 621 (the Uniform Budgetary and Accounting Act) requires that the General Fund of an academy be under budgetary control and that both budgeted and actual financial results do not incur a deficit. An academy's General Appropriations Resolution (the "budget") must be adopted before the beginning of each fiscal year. No violations (dollar deviations) from an academy's budget may occur without a corresponding amendment to the budget. An academy has the ability to amend the budget provided that the amendment is prior to the occurrence of the deviation and prior to the fiscal year-end. An academy may also permit the chief administrative or fiscal officer to execute transfers between line items, within defined dollar or percentage limits, without prior approval of the Board of Directors. Expenditures may not legally exceed budgeted appropriations at the function level. All appropriations lapse at the end of the fiscal year.

DeTour Arts & Technology Academy utilizes the following procedures in establishing the budgetary data reflected in the financial statements:

- In the spring, administrative personnel propose operating budgets for the ensuing fiscal year.
- In June, a preliminary operating budget is submitted to the Board of Directors. This budget includes proposed expenditures and the means of financing them.
- After the budget is finalized, the Board of Directors adopts an appropriations resolution setting forth the amount of the proposed expenditures and the sources of revenue to finance them.

DETOUR ARTS & TECHNOLOGY ACADEMY
Notes to Basic Financial Statements
June 30, 2015

- The original General Fund budget was amended during the year in compliance with State of Michigan Public Act 621 (the Uniform Budgetary and Accounting Act).
- The budget for the General Fund was adopted on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America.

5. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budget integration in the governmental funds. There were no substantial encumbrances outstanding at year end.

6. Capital Assets

Capital assets, which include land, land improvements, buildings, vehicles and furniture and equipment, are reported in the academy-wide financial statements. Assets having a useful life in excess of one year and whose costs exceed \$5,000 are capitalized. Capital assets are stated at historical cost or estimated historical cost where actual cost information is not available. Donated capital assets are stated at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's useful life are not capitalized. Improvements are capitalized and depreciated over the remaining useful life of the related assets.

Furniture and equipment are depreciated using the straight-line method over the following estimated useful lives:

Furniture and equipment	3-10 years
-------------------------	------------

7. Net Position

Net position represents the difference between assets and liabilities. Net position net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition or construction of those assets. Net position is reported as restricted when there are limitations imposed on their use either through legislation or through external restrictions imposed by creditors, grantors, laws or regulations from other governments.

8. Fund Balance

The Academy had adopted Governmental Accounting Standards Board (GASB) Statement No. 54 "*Fund Balance Reporting and Governmental Fund Type Definitions*". The stated objective of GASB Statement No. 54 is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds, detailed as follows:

- Nonspendable – resources that cannot be spent because they are either (a) not in spendable form (inventories and prepaid amounts) or (b) legally or contractually required to be maintained intact (the principal of a permanent fund).

DETOUR ARTS & TECHNOLOGY ACADEMY
Notes to Basic Financial Statements
June 30, 2015

- Restricted – resources that cannot be spent because of (a) constraints externally imposed by creditors (debt covenants), grantors, contributors, or laws or regulations or (b) imposed by law through constitutional provisions or enabling legislation and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation.
- Committed – resources that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority (Board of Directors). Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified uses by taking the same type of action it employed to previously commit those amounts.
- Assigned – resources that are constrained by the government’s *intent* to be used for specific purposes, but are neither restricted nor committed. Intent should be expressed by (a) the governing body itself or (b) a body or official to which the governing body has designated the authority to assign amounts to be used for specific purposes.

Unassigned – unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount.

As of June 30, 2015, DeTour Arts & Technology Academy had not established a policy for its use of unrestricted fund balance amounts; it considers that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

9. Estimates

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

Note B – Cash Equivalents

The State of Michigan allows a political subdivision to authorize its Treasurer or other chief fiscal officer to invest surplus funds belonging to and under the control of the entity as follows:

- Bonds, securities, and other obligations of the United States, or an agency or instrumentality of the United States.
- Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution is a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and that maintains a principal office or branch office located in this State under the laws of this State or the United States.
- Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of the purchase.

DETOUR ARTS & TECHNOLOGY ACADEMY
Notes to Basic Financial Statements
June 30, 2015

- United States or federal agency obligation repurchase agreements.
- Banker’s acceptances of United States Banks.
- Mutual funds composed entirely of investment vehicles which are legal for direct investment by a school academy in Michigan.
- Surplus funds investment pools.

Balances at June 30, 2015 related to cash equivalents are detailed in the Basic Financial Statements as follows:

Statement of Net Position:	
Governmental activities	\$ 70,369
Fiduciary Fund:	
Agency Fund	<u>17,306</u>
	<u>\$ 87,675</u>

Cash Equivalents

Depositories actively used by the Academy during the year are detailed as follows:

1. DeTour Drummond Community Credit Union

Cash equivalents consist of bank public funds checking and savings accounts.

June 30, 2015 balances are detailed as follows:

Cash equivalents	<u><u>\$ 87,675</u></u>
------------------	-------------------------

Custodial Credit Risk Related to Cash Equivalents

Custodial credit risk is the risk that in the event of bank failure, the Academy’s deposits may not be returned to the Academy. Protection of Academy cash equivalents is provided by the National Credit Union Administration. At year end, the carrying amount of the Academy’s cash equivalents was \$87,675, and the bank balance was \$89,175. The bank balance was completely covered by federal depository insurance.

Note C – State School Aid

State revenues pass through to Michigan schools in the form of a per pupil "Foundation Allowance" paid on a “blended count” of Academy pupil membership in October, 2014 and February, 2015. The 2014-15 "Foundation Allowance" for DeTour Arts & Technology Academy was \$7,218 for 57 “Full Time Equivalent" students, generating \$422,135 in state aid payments to the Academy of which \$76,846 was paid to the Academy in July and August, 2015 and included in “Due From Other Governmental Units” of the General Fund of the Academy.

DETOUR ARTS & TECHNOLOGY ACADEMY
Notes to Basic Financial Statements
June 30, 2015

Note D – Interfund Receivables/Payables and Transfers

Amounts due from (to) other funds, representing interfund receivables and payables for year end expenditure allocations not reimbursed at June 30, 2015, are detailed as follows:

	Due From	Due To
Major Fund		
General Fund:		
Agency Fund:		
Student Activities Fund	\$ 1,622	\$ —
Fiduciary Fund		
Agency Fund:		
Student Activities Fund:		
General Fund	—	1,622
Total All Funds	\$ 1,622	\$ 1,622

Note E – Capital Assets

Capital asset activity for the year ended June 30, 2015 was as follows:

	Balances July 1, 2014	Additions	Deductions	Balances June 30, 2015
Capital assets being depreciated:				
Furniture and equipment	\$ 245,732	\$ —	\$ —	\$ 245,732
Software	22,532	—	—	22,532
Total capital assets being depreciated	268,264	\$ —	\$ —	268,264
Less accumulated depreciation for:				
Furniture and equipment	155,861	\$ 47,552	\$ —	203,413
Software	13,208	3,108	—	16,316
Total accumulated depreciation	169,069	\$ 50,660	\$ —	219,729
Net Capital Assets	\$ 99,195			\$ 48,535

Depreciation expense for the District was \$50,660. The District determined that it was impractical to allocate depreciation to various governmental activities as the assets serve multiple functions.

DETOUR ARTS & TECHNOLOGY ACADEMY
Notes to Basic Financial Statements
June 30, 2015

Note F – Operating Lease

The Academy rents classroom space from the Easter Upper Peninsula Intermediate School District. The lease was amended in the 2011-12 fiscal year to \$9,000 a year. The lease terms expire on June 30, 2018. The future minimum lease payments for the years ending June 30, 2016 through June 30, 2018 is \$9,000 per year. The rental expense for the year ended June 30, 2015, was \$9,000.

Note G – Risk Management

The Academy is exposed to various risks of loss related to general liability. There have been no significant reductions in insurance coverage during the 2014-15 fiscal year, and claims did not exceed coverage less retained risk deductible amounts during the fiscal year.

Note J – Stewardship, Compliance and Accountability

The following Academy fund had actual expenditures exceed final budgeted amounts for the year ended June 30, 2015, as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund			
Instruction:			
Basic programs	\$ 375,747	\$ 379,438	\$ 3,691

Note K – Restatement of Net Position

Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, require that the net investment in capital assets be included into the Academy's's calculation of net position. Changes/additions to beginning net position required by the Statement increased beginning net position by \$99,195 at July 1, 2014.

SUPPLEMENTARY INFORMATION

AGENCY FUND

Student Activities—to account for the collection and disbursements of monies used by the school activity clubs and groups.

DETOUR ARTS & TECHNOLOGY ACADEMY
Student Activities Agency Fund
Statement of Changes in Assets and Liabilities
For the year ended June 30, 2015

	<u>Balances</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balances</u> <u>June 30, 2015</u>
Assets				
Cash equivalents	<u>\$ 13,896</u>	<u>\$ 9,690</u>	<u>\$ 6,280</u>	<u>\$ 17,306</u>
Liabilities				
Due to other funds	\$ 171	\$ 1,622	\$ 171	\$ 1,622
Due to student groups	<u>13,725</u>	<u>8,068</u>	<u>6,109</u>	<u>15,684</u>
Total Liabilities	<u>\$ 13,896</u>	<u>\$ 9,690</u>	<u>\$ 6,280</u>	<u>\$ 17,306</u>

INTERNAL CONTROL AND COMPLIANCE



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

October 19, 2015

The Board of Directors
DeTour Arts & Technology Academy
Chippewa County, Michigan

We have audited, 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, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of DeTour Arts & Technology Academy (the "Academy"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements, and have issued our report thereon dated October 19, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

Purpose of this Report

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



Certified Public Accountants