

WayPoint Academy

REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)

Year ended June 30, 2010

WayPoint Academy

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This section of the WayPoint Academy's annual financial report presents our discussion and analysis of the School's financial performance during the year ended June 30, 2010. Please read it in conjunction with the School's financial statements, which immediately follow this section.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand WayPoint Academy financially as a whole. The School-wide financial statements provide information about the activities of the whole School, presenting both an aggregate view of the School's finances and a longer-term view of those finances. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. The fund financial statements look at the School's operations in more detail than the School-wide financial statements by providing information about the School's most significant fund—the General Fund. The remaining funds are the Food Service fund, the Athletic fund and the agency fund. The Food Service fund presents financial activities related to providing breakfast and lunch services to the students. The Athletic fund presents financial activities related to providing athletic programs for students. The agency fund acts solely as an agent for the benefit of students and parents. The basic financial statements are comprised of the following elements:

Management's Discussion and Analysis (MD&A)

(Required Supplementary Information)

Basic Financial Statements

School-wide Financial Statements

Fund Financial Statements

Notes to Financial Statements

Budgetary Information for Major Funds

(Required Supplementary Information)

Reporting the School as a Whole—School-wide Financial Statements

The School-wide financial statements are designed to provide readers with a broad overview of WayPoint Academy's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of WayPoint Academy's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the school is improving or deteriorating.

The Statement of Activities presents information showing how the School's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. The relationship between revenues and expenses is the School's operating results. However, the School's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School.

The Statement of Net Assets and Statement of Activities report the governmental activities for the School, which encompass all of the School's services, including instruction, support services, and food services. Unrestricted state aid (foundation allowance revenue) and state and federal grants finance most of these activities.

Reporting the School's Most Significant Funds—Fund Financial Statements

The School's fund financial statements provide detailed information about the most significant funds, not the School as a whole. WayPoint Academy uses four funds – a General Fund, Food Service Fund, Athletic Fund and agency fund – at this time. The governmental funds of the School use the following accounting approach:

Governmental funds—All of the School's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School and the services it provides. Governmental fund information 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. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation.

The School as a Whole

The following table provides a summary of the School's net assets as of June 30, 2010 and 2009:

Statement of Net Assets

	2010	2009
Assets		
Current and Other Assets	\$ 1,031,180	\$ 979,378
Capital Assets	2,241,720	2,332,877
Total Assets	3,272,900	3,312,255
Liabilities		
Current Liabilities	294,430	297,794
Long-term Liabilities	2,844,200	2,886,400
Total Liabilities	3,138,630	3,184,194
Net Assets		
Invested in Capital Assets, Net of Related Debt	(316,356)	(244,025)
Restricted for Debt Service	58,751	64,785
Unrestricted	391,875	307,301
Total Net Assets	\$ 134,270	\$ 128,061

Recall that the Statement of Net Assets provides the perspective of the School as a whole. The significant changes from last year to this year were as follows:

- Current assets increased due to an increase in net assets.
- Capital assets decreased due to normal depreciation
- Long-term debt decreased due to the normal scheduled debt payments.

The previous table focuses on the net assets. The change in the net assets of the School's governmental activities is discussed below. The School's net assets were \$134,270 at June 30, 2010. Capital assets, net of related debt was a deficit of \$316,356, which compares the original cost (less depreciation) of the School's capital assets to long-term debt used to finance the acquisition of those assets. Restricted net assets in the amount of \$58,751 are reserved for debt service payments. The remaining net assets of \$391,875 were unrestricted.

The \$391,875 in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. The operating results of the General Fund (the School's largest fund) will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the School as a whole are reported in the Statement of Activities, which shows the changes in net assets for fiscal years 2010 and 2009.

Statement of Activities

	<u>2010</u>	<u>2009</u>
Program Revenues		
Charges for Services	\$ 24,056	\$ 29,668
Operating Grants	566,110	489,327
General Revenues		
Grants and Contributions Not Restricted to Specific Programs	1,452,519	1,564,424
Investment Earnings	1,286	11,731
Miscellaneous	28,159	31,338
Total Program Revenues and General Revenues	<u>2,072,130</u>	<u>2,126,488</u>
Expenses		
Instruction	1,058,967	1,183,299
Support Services	715,512	722,476
Food Services	85,478	110,015
Athletics	15,886	-
Interest expense	190,078	198,109
Total Expenses	<u>2,065,921</u>	<u>2,213,899</u>
Change in Net Assets	6,209	(87,411)
Net Assets at Beginning of Year	<u>128,061</u>	<u>215,472</u>
Net Assets at End of Year	<u>\$ 134,270</u>	<u>\$ 128,061</u>

The School experienced an increase in net assets of \$6,209. Revenues decreased due cut in the State of Michigan per pupil funding and fewer students. Expenses decreased by \$147,978. Instruction expenses decreased by \$124,332 due to staff resignations. Food service expenses decreased because of fewer students and a contract with a new food vendor. Athletics expenses increased due to the addition of more extra curricular activities.

The School's Funds

As we noted earlier, the School uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the School is being accountable for the resources taxpayers and others provide to it and may provide more insight into the School's overall financial health.

In the General Fund, our principal operating fund, the fund balance increased by \$43,345 to \$735,968. This increase was the result of staff resignations and other cost cutting measures.

General Fund Budgetary Highlights

Over the course of the year, the School revises its budget as it attempts to deal with the unexpected changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was actually adopted just before year end. (A schedule showing the School's original and final budget amounts compared with amounts actually paid and received is provided in the required supplementary information section of these financial statements).

There were several revisions made to the 2009-2010 General Fund's original budget:

Revenues:

- The State sources budget was decreased due to a cut in per pupil funding by the State of Michigan.
- Federal revenues increased due to receiving federal ARRA funds.

Expenditures:

- Basic programs decreased due to staff reductions.
- General Administration decreased due to a decrease in state aid and decrease in payroll. Some of these costs are calculated as a percentage of revenues. So the decreases in revenues resulted in a decrease in these underlying costs.
- Transportation costs increased due to the School providing MATS bus passes for students..

Budget to Actual variances

Revenues:

- Federal revenues were over budgeting due to under estimating individual grant revenues.

Expenditures:

- Compensatory education expenses were over budget due to an error in budget planning.
- School Administration expenses were over budget due to an increase in marketing and attorney fees.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2010, the School had \$2,241,720 (after accumulated depreciation) invested in a broad range of capital assets, including land, buildings, and furniture and equipment. This amount represents a net decrease (including additions, deductions, and depreciation) of \$91,157 from last year. This year's decrease was the result of the normal depreciation exceeding current year additions as well as the disposal of old computer equipment. We present more detailed information about our capital assets in the notes to the financial statements.

	<u>2010</u>	<u>2009</u>
Buildings and Land	\$ 2,816,229	\$ 2,810,145
Furniture and Equipment	<u>510,577</u>	<u>586,502</u>
Total Capital Assets	3,326,806	3,396,647
Less Accumulated Depreciation	<u>1,085,086</u>	<u>1,063,770</u>
Total Capital Assets, Net	<u><u>\$ 2,241,720</u></u>	<u><u>\$ 2,332,877</u></u>

Debt

At June 30, 2010, the School's only outstanding long-term debt type were bonds with an outstanding balance of \$2,894,200. The School made their normal schedule principal payments of \$37,200 during the year. See footnote G for more information.

Economic Factors and Next Year's Budget

Our appointed officials and administration considered many factors when setting the School's 2011 fiscal year budget. One of the most important factors affecting the budget is our student count. The State of Michigan foundation allowance is determined by multiplying the blended student count by the per pupil foundation allowance. The blended count for the 2011 fiscal year is 25 percent and 75 percent of the February 2010 and September 2010 student counts, respectively. The original 2011 budget was adopted in June 2010, based on an estimate of students to be enrolled in September 2010. The budget adopted for the 2010-2011 school year is projecting a small increase in the student population and a small decrease in the per pupil foundation. The original budget for fiscal year 2010 is projecting a small increase in fund balance for the year.

A large percentage of General Fund revenue comes from the State of Michigan foundation allowance. As a result, School funding is heavily dependent on the state's ability to fund local school operations. Based on early enrollment data at the start of the 2010-2011 school year, we anticipate that the fall student count will be near the estimates used in creating the fiscal 2011 budget. Once the final student count and related per pupil funding is validated, state law requires the School to amend the budget if actual district resources are not sufficient to fund original appropriations.

The School will also be obtaining a state aid anticipation note in the amount of \$150,000.

Request for Information

This financial report is designed to provide a general overview of WayPoint Academy's finances for those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to WayPoint Academy, 2900 E. Apple Avenue, Muskegon, MI 49442, and (231) 777-4972.

BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

September 3, 2010

Board of Education
WayPoint Academy
Muskegon, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of WayPoint Academy, as of and for the year ended June 30, 2010, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of WayPoint 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 the 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 opinions.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 3, 2010, on our consideration of WayPoint 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 considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages i - vi and page 21, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Brickley De Long, P.C.

WayPoint Academy
STATEMENT OF NET ASSETS
June 30, 2010

	ASSETS	<u>Governmental activities</u>
CURRENT ASSETS		
Cash and cash equivalents		\$ 267,848
Receivables		9,600
Due from other governmental units		<u>285,568</u>
Total current assets		563,016
NONCURRENT ASSETS		
Restricted cash		368,340
Capital assets, net		
Nondepreciable		100,000
Depreciable		2,141,720
Bond issuance costs, net		<u>99,824</u>
Total noncurrent assets		<u>2,709,884</u>
Total assets		3,272,900
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
State aid loan		10,000
Accounts payable and accrued liabilities		234,430
Bonds and other obligations, due within one year		<u>50,000</u>
Total current liabilities		294,430
NONCURRENT LIABILITIES		
Bonds and other obligations, less amounts due within one year		<u>2,844,200</u>
Total liabilities		<u>3,138,630</u>
NET ASSETS		
Invested in capital assets, net of related debt		(316,356)
Restricted for debt service		58,751
Unrestricted		<u>391,875</u>
Total net assets		<u><u>\$ 134,270</u></u>

The accompanying notes are an integral part of this statement.

WayPoint Academy
STATEMENT OF ACTIVITIES
For the year ended June 30, 2010

<i>Functions/Programs</i>	<u>Expenses</u>	<u>Program Revenue</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for services</u>	<u>Operating grants and contributions</u>	<u>Governmental activities</u>
Governmental activities				
Instruction	\$ 1,058,967	\$ 9,182	\$ 438,802	\$ (610,983)
Support services	715,512	-	21,662	(693,850)
Food services	85,478	14,874	90,410	19,806
Athletics	15,886	-	15,236	(650)
Interest on long-term debt	190,078	-	-	(190,078)
Total governmental activities	<u>\$ 2,065,921</u>	<u>\$ 24,056</u>	<u>\$ 566,110</u>	<u>(1,475,755)</u>
General revenues				
Grants and contributions not restricted to specific programs				1,452,519
Investment earnings				1,286
Miscellaneous				28,159
Total general revenues				<u>1,481,964</u>
Change in net assets				6,209
Net assets at beginning of year				<u>128,061</u>
Net assets at end of year				<u>\$ 134,270</u>

The accompanying notes are an integral part of this statement.

WayPoint Academy
BALANCE SHEET
 Governmental Funds
 June 30, 2010

	General Fund	Other governmental funds	Total governmental funds
ASSETS			
Cash and cash equivalents	\$ 243,601	\$ 24,247	\$ 267,848
Receivables	9,600	-	9,600
Due from other governmental units	285,568	-	285,568
Restricted cash and cash equivalents	368,340	-	368,340
Total assets	\$ 907,109	\$ 24,247	\$ 931,356
LIABILITIES AND FUND BALANCES			
Liabilities			
State aid loan	\$ 10,000	\$ -	\$ 10,000
Accounts payable	13,302	-	13,302
Accrued liabilities	147,839	-	147,839
Total liabilities	171,141	-	171,141
Fund balances			
Reserved for debt service	368,340	-	368,340
Unreserved, undesignated			
General Fund	367,628	-	367,628
Special revenue funds	-	24,247	24,247
Total fund balances	735,968	24,247	760,215
Total liabilities and fund balances	\$ 907,109	\$ 24,247	\$ 931,356

The accompanying notes are an integral part of this statement.

WayPoint Academy
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET ASSETS**
 June 30, 2010

Total fund balance—governmental funds		\$ 760,215
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not current financial resources and are not reported in the governmental funds.		
Cost of capital assets	\$ 3,326,806	
Accumulated depreciation	<u>(1,085,086)</u>	2,241,720
Debt issuance costs are not capitalized and amortized in the governmental funds.		
Debt issuance costs	110,915	
Accumulated amortization	<u>(11,091)</u>	99,824
Accrued interest in governmental activities is not reported in the governmental funds.		(73,289)
Long-term liabilities in governmental activities are not due and payable in the current period and are not reported in the governmental funds.		<u>(2,894,200)</u>
Net assets of governmental activities in the Statement of Net Assets		<u><u>\$ 134,270</u></u>

The accompanying notes are an integral part of this statement.

WayPoint Academy
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 Governmental Funds
 For the year ended June 30, 2010

	General Fund	Other governmental funds	Total governmental funds
REVENUES			
Local sources			
Investment earnings	\$ 1,286	-	\$ 1,286
Fees and charges	-	14,874	14,874
Other	37,341	15,236	52,577
Total local sources	38,627	30,110	68,737
State sources	1,546,079	5,160	1,551,239
Federal sources	364,151	85,250	449,401
Total revenues	1,948,857	120,520	2,069,377
EXPENDITURES			
Current			
Instruction	985,290	-	985,290
Support services	698,456	-	698,456
Food services	-	85,054	85,054
Athletics	-	15,886	15,886
Debt service			
Principal	45,000	-	45,000
Interest and other charges	179,519	-	179,519
Total expenditures	1,908,265	100,940	2,009,205
Excess of revenues over expenditures	40,592	19,580	60,172
OTHER FINANCING SOURCES			
Transfers from other governmental units and other transactions	2,753	-	2,753
Net change in fund balances	43,345	19,580	62,925
Fund balances at beginning of year	692,623	4,667	697,290
Fund balances at end of year	\$ 735,968	\$ 24,247	\$ 760,215

The accompanying notes are an integral part of this statement.

WayPoint Academy
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**
For the year ended June 30, 2010

Net change in fund balances—total governmental funds	\$	62,925
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report outlays for capital assets and bond issuance costs as expenditures; in the Statement of Activities these costs are depreciated and amortized over their estimated useful lives, respectively.		
Depreciation and amortization expense	\$ (133,254)	
Capital outlay and bond issuance costs	<u>38,400</u>	(94,854)
Repayment of principal on long-term obligations is an expenditure in the governmental funds, but the repayment reduces long-term obligations in the Statement of Net Assets.		
		37,200
Interest expense on long-term obligations is recorded in the Statement of Activities when incurred, but is not reported in governmental funds until paid.		
		<u>938</u>
Change in net assets of governmental activities	\$	<u><u>6,209</u></u>

The accompanying notes are an integral part of this statement.

WayPoint Academy
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
Fiduciary Funds
June 30, 2010

	<u>Agency funds</u>
ASSETS	
Cash and cash equivalents	<u>\$ 5,887</u>
LIABILITIES	
Deposits held for others	<u>\$ 5,887</u>

The accompanying notes are an integral part of this statement.

WayPoint Academy
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of WayPoint Academy (School) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the School's accounting policies are described below.

Reporting Entity

The School is governed by an appointed five to nine member Board of Directors (Board), which has responsibility and control over all activities related to public school education within the School. The School receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the School is not included in any other governmental reporting entity as defined by generally accepted accounting principles. In addition, the School's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statement No. 14. Board members have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters.

School-wide and Fund Financial Statements

School-wide Financial Statements

The primary focus of school-wide financial statements is on the sustainability of the School as an entity and the change in the School's net assets resulting from the current year's activities. The school-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 School. For the most part, the effect of interfund activity has been removed from these statements. The school-wide financial statements categorize primary activities as either governmental or business type. All of the School's activities are classified as governmental activities.

In the school-wide Statement of Net Assets, the governmental activities column (a) is presented on a consolidated basis and (b) is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The School's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. The School first utilizes restricted resources to finance qualifying activities. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges paid by recipients who purchase, use or directly benefit from goods or services by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid, certain revenue from the intermediate school district, and other unrestricted items are not included as program revenues but instead as *general revenues*.

The school-wide Statement of Activities reports both the gross and net cost of each of the School's functions. The functions are also supported by general revenues (certain intergovernmental revenues and charges, etc.). The Statement of Activities reduces gross expenses by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants. The School does not allocate indirect costs.

WayPoint Academy
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

School-wide and Fund Financial Statements—Continued

Fund financial statements

Fund financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from school-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental funds

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

The School reports the following major governmental fund:

- The *General Fund* is the School's primary operating fund. It accounts for all financial resources of the School, except those required to be accounted for in another fund.

The other nonmajor governmental funds are reported within the following types:

- The *special revenue funds* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The School accounts for its food service and athletic activities in the school service special revenue funds.

Fiduciary funds

Fiduciary funds account for assets held by the School in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the School under the terms of a formal trust agreement. Fiduciary funds are not included in the school-wide statements.

- The *agency fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the School holds for others in an agency capacity (primarily student activities).

Measurement Focus, Basis of Accounting and Basis of Presentation

Accrual Method

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

WayPoint Academy
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Measurement Focus, Basis of Accounting and Basis of Presentation—Continued

Modified Accrual Method

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. With this measurement focus, operating statements present increases and decreases in net current assets, and unreserved fund balance is a measure of available spendable resources. Revenues are recognized as soon as they are 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 School considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as compensated absences and claims and judgments, are recorded only when payment is due.

Unrestricted state aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the School.

State Revenue

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school based on information supplied by the school. For the year ended June 30, 2010, the foundation allowance was based on pupil membership counts taken in February and September of 2009.

The School also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

WayPoint Academy
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Other Accounting Policies

Deposit and Investments

Cash and cash equivalents include cash on hand, demand deposits and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

The School reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under this standard, 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 standard also provides 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 School intends to hold the investment until maturity.

State statutes authorize the School to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, 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 Insurance 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 School 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. The School's deposits and investments are in accordance with statutory authority.

Interfund Receivables and Payables

Activities between funds that are representative of lending or borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". The School had no advances between funds.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond the fiscal year end 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/expense is reported in the year in which services are consumed.

Restricted Assets

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets include bond proceeds to be used for debt service.

WayPoint Academy
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Other Accounting Policies—Continued

Capital Assets

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received. Capital assets are defined by the School as assets with an initial cost of more than \$1,000 and an estimated useful life in excess of one year. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets. The School does not have infrastructure-type assets.

Depreciation is provided on the straight-line basis over the following useful lives:

Buildings and improvements	15-30 years
Furniture and equipment	5-7 years

Land and certain land improvements are deemed to be inexhaustible capital assets, as the economic benefit or service potential is used up so slowly that the estimated useful life is extraordinarily long. These inexhaustible assets are not depreciated.

Deferred Revenue

Deferred revenue arises when assets are recorded before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue. On fund financial statements, receivables that will be collected after the available period are reported as deferred revenue.

Long-term Obligations

In the school-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Net Assets in School-wide Financial Statements

Net assets represent the difference between assets and liabilities and are segregated into the following components:

- **Invested in capital assets, net of related debt** consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

WayPoint Academy
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Other Accounting Policies—Continued

Net Assets in School-wide Financial Statements—Continued

- **Restricted net assets** result when constraints placed on net asset use are either externally imposed by creditors, grantors, contributions, and the like, or imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted net assets** consist of net assets which do not meet the definition of the two preceding categories. Unrestricted net assets often are designated, to indicate that management does not consider them to be available for general operations. Unrestricted net assets often have constraints on resources which are imposed by management, but can be removed or modified.

Fund Equity In Fund Financial Statements

The School reserves those portions of governmental fund balances that are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriations for expenditures. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund balance reserves are established for encumbrances, inventory of materials and supplies, prepaid items, deferred charges and advances to other funds, when applicable. Designations of fund balance represent tentative management plans that are subject to change.

Estimates

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

NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the General Fund and special revenue fund. All annual appropriations lapse at year end.

The School follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the Board of Directors a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain constituent comments.
3. Prior to July 1, the budget is legally adopted by Board of Directors resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, are noted in the required supplementary information section.
4. Formal budgetary integration is employed as a management control device during the year.
5. The budget is amended during the year with supplemental appropriations, the last one approved prior to June 30, 2010.

WayPoint Academy
NOTES TO FINANCIAL STATEMENTS
 June 30, 2010

NOTE C—DEPOSITS AND INVESTMENTS

As of June 30, 2010, the School had the following investments:

Investment Type	<u>Fair value</u>	<u>Weighted average maturity (Days)</u>	<u>Standard & Poor's rating</u>	<u>Percent</u>
Money market mutual funds	<u>\$ 368,340</u>	30	<u>AAA</u>	100%

Interest rate risk

The School does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk

State law limits investments in commercial paper and corporate bonds to the three highest classifications issued by nationally recognized statistical rating organizations. The School has no investment policy that would further limit its investment choices.

Concentration of credit risk

The School's concentration of credit risk policy seeks to minimize loss by diversifying the investment portfolio so the impact of potential losses from any one type of security or issuer will be minimized. Concentration of credit risk is the risk of loss attributed to the magnitude of the School 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 School's deposits may not be returned to it. As of June 30, 2010, \$49,489 of the School's bank balance of \$299,489 was exposed to custodial risk because it was uninsured and uncollateralized.

Custodial credit risk - investments

The School's custodial credit risk policy for investments seeks to minimize custodial risk by limiting investments to those authorized by their investment policy and by pre-qualifying financial institutions, brokers/dealers, intermediaries and advisors based upon various criteria. This is the risk that, in the event of the failure of the counterparty, the School will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Foreign currency risk

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

WayPoint Academy
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE C—DEPOSITS AND INVESTMENTS—Continued

Restricted Assets

Restrictions are placed on assets by bond ordinance and School Board of Directors action. At June 30, 2010, restricted cash in the General Fund are restricted as follows:

Governmental Activities

General Fund

Debt Service Reserve Fund	\$ 236,300
Bond Revenue Fund	117,572
Project Fund	<u>14,468</u>
	<u><u>\$ 368,340</u></u>

NOTE D—CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2010 was as follows:

	Balance July 1, 2009	Additions	Deductions	Balance June 30, 2010
Capital assets, not being depreciated:				
Land	\$ 100,000	\$ -	\$ -	\$ 100,000
Capital assets, being depreciated:				
Buildings and improvements	2,710,145	6,084	-	2,716,229
Furniture and equipment	<u>586,502</u>	<u>32,316</u>	<u>108,241</u>	<u>510,577</u>
Total capital assets, being depreciated	3,296,647	38,400	108,241	3,226,806
Less accumulated depreciation:				
Buildings and improvements	524,475	91,439	-	615,914
Furniture and equipment	<u>539,295</u>	<u>38,118</u>	<u>108,241</u>	<u>469,172</u>
Total accumulated depreciation	<u>1,063,770</u>	<u>129,557</u>	<u>108,241</u>	<u>1,085,086</u>
Total capital assets, being depreciated, net	<u>2,232,877</u>	<u>(91,157)</u>	<u>-</u>	<u>2,141,720</u>
Capital assets, net	<u><u>\$ 2,332,877</u></u>	<u><u>\$ (91,157)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,241,720</u></u>

WayPoint Academy
NOTES TO FINANCIAL STATEMENTS
 June 30, 2010

NOTE D—CAPITAL ASSETS—Continued

Depreciation

Depreciation expense has been charged to functions as follows:

Instruction	\$ 105,993
Support services	23,140
Food services	424
	\$ 129,557

NOTE E—DEBT ISSUANCE COSTS

Debt issuance cost activity for the year ended June 30, 2010 was as follows:

	Balance July 1, 2009	Additions	Deductions	Balance June 30, 2010
Debt issuance costs	\$ 110,915	\$ -	\$ -	\$ 110,915
Less accumulated amortization	7,394	3,697	-	11,091
Debt issuance costs, net	\$ 103,521	\$ (3,697)	\$ -	\$ 99,824

Amortization

Amortization expense has been charged as unallocated amortization.

NOTE F—SHORT-TERM DEBT

The School issues State of Michigan school aid anticipation notes to provide short-term operating funds. The notes are obligations of the General Fund, which received the note proceeds, and are backed by the full faith, credit and resources of the School. The short-term debt activity for the year ended June 30, 2010 follows:

	Balance July 1, 2009	Additions	Reductions	Balance June 30, 2010
State aid anticipation note				
2008/2009 3.00% due July 2009	\$ 10,000	\$ -	\$ 10,000	\$ -
2009/2010 5.63% due July 2010	-	100,000	90,000	10,000
	\$ 10,000	\$ 100,000	\$ 100,000	\$ 10,000

WayPoint Academy
NOTES TO FINANCIAL STATEMENTS
 June 30, 2010

NOTE G—LONG-TERM OBLIGATIONS

The School issues bonds, notes and other contractual commitments to provide for the acquisition, construction and improvement of major capital facilities and for the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School.

The following is a summary of long-term obligations activity for the School for the year ended June 30, 2010:

	<u>Balance July 1, 2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2009</u>	<u>Due within one year</u>
Governmental activities					
Bonds	<u>\$ 2,931,400</u>	<u>\$ -</u>	<u>\$ 37,200</u>	<u>\$ 2,894,200</u>	<u>\$ 50,000</u>

General obligation bonds consist of the following:

2007 Revenue refunding bonds payable in annual installments ranging from \$50,000 to \$205,000 due August 2010 to 2037; plus interest ranging from 5% to 6% payable semi-annually	\$3,110,000
Less issuance discount	<u>(215,800)</u>
	<u>\$2,894,200</u>

The annual requirements of principal and interest to amortize the bonded debt outstanding as of June 30, 2010 follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 50,000	\$ 174,644	\$ 224,644
2012	50,000	172,144	222,144
2013	55,000	169,519	224,519
2014	55,000	166,769	221,769
2015	60,000	163,706	223,706
2016-2020	355,000	762,422	1,117,422
2021-2025	465,000	647,953	1,112,953
2026-2030	610,000	497,344	1,107,344
2031-2035	805,000	299,766	1,104,766
2036-2038	605,000	54,750	659,750
	<u>\$ 3,110,000</u>	<u>\$ 3,109,017</u>	<u>\$ 6,219,017</u>

WayPoint Academy
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE H—COMMITMENTS AND CONTINGENCIES

Operating leases

The School has lease agreements expiring at various dates through February 2013. Expense for the year ended June 30, 2010 was approximately \$9,600. The following is a schedule of future minimum rental payments required under operating leases for the School office equipment.

Year ending June 30,	Total
2011	2,972
2012	764
2013	382
	<u>\$ 4,118</u>

Grant Programs

The School participates in grant programs, which are subject to program compliance audits by the grantor or its representatives. Such audits of these programs may be performed at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the School expects such amounts, if any, to be immaterial.

NOTE I—OTHER INFORMATION

Risk management

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omissions; injuries to employees; and natural disasters. The School carries commercial insurance to cover these risks. No settlements have occurred in excess of coverage for June 30, 2010 or any of the prior three years.

Employee services agreement

The School leases its employees from an employee leasing company (Company). Expenditures for employee costs such as salaries and wages, payroll taxes, and benefits under this agreement has been recorded and reported in conformance with the State of Michigan's standard chart of accounts.

Defined contribution plan

The Company maintains a defined contribution plan covering substantially all of the leased employees. In a defined contribution plan, benefits depend solely on amounts contributed to the Plan plus investment earnings. Contributions and costs are determined as 6 percent of each covered employee's salary, and they are included in the fees paid for contracted services. For the year ended June 30, 2010, the contributions totaled approximately \$49,300.

NOTE J—SUBSEQUENT EVENTS

In July 2010, the School signed a \$150,000 State of Michigan (State) school aid anticipation note payable. The note payable bears interest at the rate of 3.04 percent per annum. The School pledged for payment of the note payable, the amount of state school aid to be received plus the full faith, credit, and resources of the School.

In August 2010, the school purchased computers costing approximately \$55,000.

REQUIRED SUPPLEMENTARY INFORMATION

WayPoint Academy
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
 General Fund
 For the year ended June 30, 2010

	Budgeted amounts		Actual	Variance with final budget- positive (negative)
	Original	Final		
REVENUES				
Local sources	\$ 20,000	\$ 21,000	\$ 38,627	\$ 17,627
State sources	1,806,440	1,541,265	1,546,079	4,814
Federal sources	186,046	351,892	364,151	12,259
Incoming transfers and other transactions	-	2,450	2,753	303
Total revenues	2,012,486	1,916,607	1,951,610	35,003
EXPENDITURES				
Instruction				
Basic programs	710,742	639,769	639,948	(179)
Added needs	322,279	340,828	345,342	(4,514)
Support services				
Pupil	122,859	115,198	113,879	1,319
Instructional staff	65,540	57,120	56,374	746
General administration	316,711	293,892	299,932	(6,040)
School administration	1,500	1,900	1,763	137
Business	47,246	45,130	44,939	191
Operations and maintenance	149,054	145,005	147,629	(2,624)
Pupil transportation services	9,400	23,200	20,019	3,181
Central	25,500	18,200	13,921	4,279
Other	-	16,097	-	16,097
Debt service				
Principal	56,000	45,000	45,000	-
Interest and other charges	170,000	179,900	179,519	381
Total expenditures	1,996,831	1,921,239	1,908,265	12,974
Excess (deficiency) of revenues over (under) expenditures	\$ 15,655	\$ (4,632)	43,345	\$ 47,977
Fund balance at beginning of year			692,623	
Fund balance at end of year			\$ 735,968	