

**Landmark Academy**

**Kimball, Michigan**

**Audited Financial Statements**

**June 30, 2007**

CROSKEY, LANNI & COMPANY, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

## CONTENTS

	<u>Page</u>
<b>Independent Auditors Report</b>	i - ii
<b>Management's Discussion and Analysis</b>	iii - xi
<b>Basic Financial Statements</b>	
Statement of Net Assets	1
Statement of Activities	2
Combined Balance Sheet - All Fund Types	3
Reconciliation of Total Governmental Fund Balance to Net Assets of Governmental Activities	4
Statement of Revenues, Expenditures and Changes in Fund Balance - All Governmental Fund Types	5
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities	6
Statement of Fiduciary Net Assets	7
Notes to Financial Statements	8 - 16
<b>Supplemental Information</b>	
Independent Auditor's Report on Supplemental Information	17
Budgetary Comparison Schedule - All Governmental Funds	18
Schedule of Revenues - All Governmental Fund Types	19
Schedule of Expenditures - All Governmental Fund Types	20 - 22
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>	23 - 24

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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Landmark Academy, as of and for the year ended June 30, 2007, which collectively comprise the Academy's basic financial statements listed in the table of contents. These financial statements are the responsibility of Landmark Academy's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Landmark Academy as of June 30, 2007, 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.

The management's discussion and analysis and budgetary comparison information on pages iii through x, and 18, 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Landmark Academy's basic financial statements. The introductory section, combining and individual non major fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 3, 2007 on our consideration of Landmark Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

  
Croskey, Lanni & Company, P.C.

August 3, 2007  
Rochester, Michigan

# **Landmark Academy**

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

**Management Discussion and Analysis  
For the Fiscal Year Ended June 30, 2007**

## **Introduction**

**Landmark Academy** completed its eighth year of operations on June 30, 2007. Chartered by Saginaw Valley State University in July of 1999, Landmark is a school of choice serving students in kindergarten through eighth grade. In September 2007, Landmark will begin high school classes for incoming freshman.

The school campus is located on a fifteen-acre parcel of land on Lapeer Road in Kimball Township, near Port Huron. The 40,000 square foot school building is a modular construction with a brick exterior, having 25 classrooms and two administration offices. For the year ending June 30, 2007 there were three (3) classes each of kindergarten through grade four, two (2) classes each of grades five through eight. As of the writing of this report Landmark has added additional first and second grade classes (bringing the total to four each), an additional fifth grade class (bringing the total to three) and two ninth grade classes for the 2007-2008 school-year. It is anticipated that Landmark will add an additional third grade class, another sixth grade class and two tenth grade classes the following year as students advance.

Due to continued growth in student enrollment, the Landmark Board authorized two (2) building expansion projects for the summer of 2007. One project will add two (2) classrooms to the existing building. This building will house the Kindergarten through fifth grade classes. The middle school and high school students will relocate to the second floor of an adjacent building, currently owned by Cross Current Church. Landmark Academy has entered into a three (3) year lease agreement for exclusive occupancy of the second floor of that building. Landmark also has entered into an exclusive right to purchase the entire building by the end of the 2009 calendar year. The financing for the 2007 projects was secured through the issuance of Certificates of Participation, similar to those used to finance the expansions in 2001 and in 2005. Construction began in the spring of 2007 and will be completed by September of 2007.

## **Overview of Financial Statements**

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

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

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

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

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

### **Capital Assets**

Much of Landmark's asset value is represented in land and buildings, nearly \$4.9 million of the total. In prior years, Landmark's capital asset values were established on an original cost basis. Changes in accounting methods (due to the GASB 34 revision which took effect) now require the depreciation of these assets – which amounted to \$580,985.

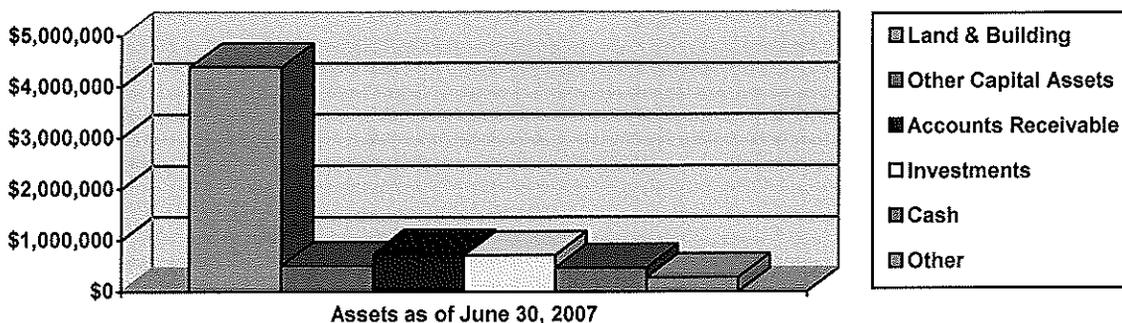
Landmark Academy opened its doors in 1999 with two (2) 6,000 square foot modular buildings that provided for 11 classrooms and an administrative office. Growth in student numbers necessitated expansion and in 2001 the school issued Certificates of Participation in the amount of approximately \$3.5 million to fund the new project. A new, 10 classroom modular unit was installed and the two original units were joined to it by a common area atrium. Brick was installed on the exterior of the entire structure to extend the life of all of the modular buildings and to provide for an aesthetically attractive, single-structure appearance. At the beginning of the 2003-04 school year, the last phase of this project was completed with remaining financing funds: a 2,000 square foot modular office section was added. In 2005 a 3,600 square foot multipurpose room and four classrooms were added. A final addition of two modular classrooms is under construction (Summer of 2007) to accommodate further growth. This will bring the total Kindergarten through Grade 5 campus building area to approximately 42,000 square feet.

### **Current Assets**

Landmark Academy's current assets total \$2,216,243. Of that amount, \$746,840 is recorded as accounts receivable. Most of this is due from the State of Michigan as per-pupil aid, which will be received by the end of August 2007. Landmark maintains a checking account and a money market account, totaling \$469,836 for the year-end, which represents the cash balances in the general operating accounts. Another significant portion of the school's current assets is the \$716,684 shown as investments. The majority of this sum is held in a trust account to pay for the principal and interest on the long-term debt (Certificates of Participation).

## All Assets

The following chart illustrates the categories and amounts of Landmark's \$7,113,963 in assets.



## Liabilities

### Long-Term Liabilities

Landmark presently has a long-term debt obligation of \$5,245,000 – mostly from the Certificates of Participation (C.O.P) used to finance the school expansion in 2001 and the expansion project in 2005. The Academy paid roughly \$85,000 in principal payments on the C.O.P. issues over the course of the school year. A capital lease (five-year term) was put in place in the summer of 2003, collateralized by the modular office addition in 2003. This debt was retired this year.

The financing agreement for the Certificates of Participation calls for 20% of state aid to be directly deposited monthly (except September and November) into a trust account held at U.S. Bank to satisfy principal and interest due. Deposited funds in excess of debt service are then transferred back to the Academy's general checking account, usually a few days after each deposit. Page 5 of the basic financial statements shows \$533,443 transferred out of the general fund and into the debt service fund to provide for the debt service on both C.O.P. issues.

### Current Liabilities

Current liabilities of \$486,045 are a very small portion of total liabilities. They reflect the current portion of long-term debt (\$85,000), salaries and benefits for teacher contracts (\$250,832) that will not be fully disbursed until August 15, 2007, and a small portion in accounts payable.

Total Liabilities are \$5,731,045.

## Net Assets

Total Net Assets for the year ended June 30, 2007 are \$1,382,918. This basically represents Landmark's equity position. Of this, (\$432,280) represents the amount invested in capital assets, less the related debt. The deficit is due in large to the underwriting costs of the C.O.P. debts being financed. The amount restricted for debt service is \$713,922 and \$2,762 remains from the 2005 capital project reserved for capital improvements. The remaining \$1,098,514 is unrestricted. The change in net assets from the previous year was \$312,877.

## Comparative Analysis of Net Assets

The following is a comparison of financial data from this year versus data from last year. Total Assets grew by roughly 4%. Long-Term Debt was reduced modestly through payment of principal and the retirement of the capital lease for the office. Investment in Capital Assets, less Related Debt, increased due to both depreciation and the capitalization of underwriting costs for the C.O.P. financing. Unrestricted Net Assets grew 14% over the previous year's amount. The Net Assets improved by 29%, reflecting a robust year of financial improvement for the school.

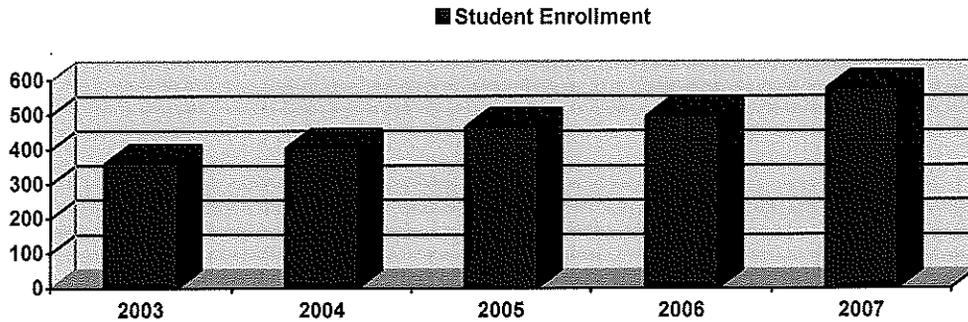
## Comparative Statement of Net Assets

	<u>2006/2007</u>	<u>2005/2006</u>
<b>Assets</b>		
<b>Current Assets</b>	\$ 2,216,243	\$ 1,999,888
<b>Facilities, Fixtures, Equipment</b>	<u>4,897,720</u>	<u>4,842,942</u>
<b>Total Assets</b>	7,113,963	6,842,830
<b>Liabilities</b>		
<b>Current Liabilities</b>	486,045	411,350
<b>Long-Term Debt</b>	<u>5,245,000</u>	<u>5,361,439</u>
<b>Total Liabilities</b>	5,731,045	5,772,789
<b>Net Assets</b>		
<b>Invest in Capital Assets, less Related Debt</b>	(432, 280)	(628,554)
<b>Restricted for Debt Service</b>	713,922	700,323
<b>Restricted for Capital Projects</b>	2,762	36,205
<b>Unrestricted</b>	<u>1,098,514</u>	<u>962,067</u>
<b>Total Net Assets</b>	<u>\$ 1,382,918</u>	<u>\$ 1,070,041</u>

## Revenue & Expenses

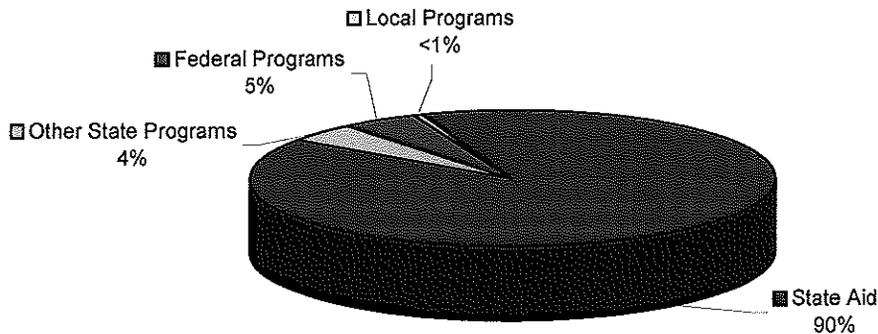
### Revenue

Landmark Academy enjoyed another year of growth in student numbers, increasing from 495 students, at the close of the previous year, to 575 at the close of the current year – an increase of over 16%.



Landmark’s primary source of revenue is derived from the State of Michigan. Approximately 90% of its total annual revenue from all sources for this school year was from state aid. As with traditional public schools in Michigan, Landmark receives roughly \$7,190 per student based on a blended student count formula – 75% of the September student enrollment count and 25% of the February count. Page 19 provides information on other revenue sources.

### 2006-07 Revenue Sources



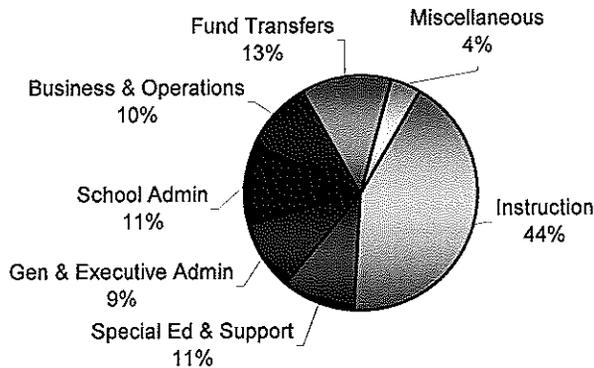
<p>■ State Aid = \$3,957,913</p> <p>■ Federal Programs = \$203,662</p>	<p>■ Other State &amp; Local Programs = \$193,858</p> <p>■ Other Local Revenue = \$25,392</p>
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**Total Revenues = \$4,380,825**

## Expenses

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

### 2006-07 Expenses By Function



■ Instruction = \$1,798,725	■ Special Ed & Support = \$446,241
■ Gen & Executive Admin = \$398,807	■ School Administration = \$481,013
■ Business & Operations = \$407,215	■ Fund Transfers = \$533,443
■ Miscellaneous = \$178,783	

**Total Expenses = \$4,244,227**

Monies from the Small Rural Schools Grant, Title Funds, 31-A state funds, and a grant from Saginaw Valley State University were also used to enhance the math, reading/writing and social studies portions of the curriculum and to offer tutoring programs targeted at helping “at risk” students who are not performing at grade level in core subject areas. Also, special education funds from Public Act 18 (a county millage) allowed the Academy to enhance its resources used for our special education program.

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

Total revenue rose 17% over last year's revenue driven primarily by an 18% increase in state per-pupil aid. This was also due to a gain of 16% in student enrollment. State Aid as a percentage of total revenue remained at approximately 90%.

Total expenditures rose by approximately 11%, driven largely by the growth in enrollment. The largest percentage increase, roughly 33%, came from business and operations expenses. This reflects increases in custodial staff (+30%) necessitated by the building expansion project of 2005, which had been completed to accommodate expected increases in student enrollment and teaching staff. Landmark also secured an exclusive lease of the 30,000 square foot second floor of the adjacent Cross Current building, which will be used next year for middle school and high school. Lease payments began this year upon commencement in April, which brought an increase of \$66,000 – a five fold increase over last year's leasing costs. Increases in students requiring special education services necessitated the addition of a full-time staff member, which translated into a 38% increase in the Support category. The 17% increase in General and Executive Administration is due to the increase in state aid. Oversight fees paid to Saginaw Valley State University and Summit Management Consulting are based on a percentage of state aid revenues. Hence, increases in state aid revenue result in corresponding increases in oversight fees.

The year end fund balance increased by 13.7% over the previous year. The following chart outlines the changes in the primary income and expense categories.

### Comparative Statement of Revenues, Expenditures, Changes in Fund Balance General Fund

	<u>2006/2007</u>	<u>2005/2006</u>
<b>Revenue</b>		
State Aid	\$ 3,957,913	\$ 3,366,188
Federal Programs	203,662	179,345
Other State & Local Programs	193,858	164,558
Other	<u>25,392</u>	<u>26,850</u>
<b>Total Revenue</b>	<b>4,380,825</b>	<b>3,736,941</b>
<b>Expenditures</b>		
Instruction	1,798,725	1,679,158
Special Ed & Support Services	446,241	368,607
General & Executive Administration	398,807	342,300
School Administration	481,013	451,692
Business & Operations	407,215	305,706
Fund Transfers	533,443	383,640
Miscellaneous	<u>178,783</u>	<u>134,967</u>
<b>Total Expenditures</b>	<b>4,244,227</b>	<b>3,666,070</b>
<b>Changes in Fund Balance</b>	<b><u>\$ 136,598</u></b>	<b><u>\$ 70,871</u></b>

## **Overall Financial Position**

Student enrollment for the fall represented a 16% increase over the previous year. Actual fall-count enrollment was nearly 10% more than had been anticipated in the initial budget, which had been projected at 522. Total actual revenue from all sources was 9% above the initial budgeted revenues. There was a 7% increase in actual total expenses (without interest expense) versus the initial budgeted numbers (See page 19).

This year Landmark was again able to retire a small portion of principal on the long-term certificates, as well as the remaining balance of the capital lease on the 2003 office addition. The large increase in revenue allowed the school to accelerate the payments this year. The fund balance increase over the previous year was a very strong 13.7%. Landmark Academy enjoyed another solid year of growth in students and staff, with another expansion of building facilities in the beginning stages for the upcoming year.

## **Fund Balance Restrictions**

Landmark presently maintains a combined fund balance position of \$1,848,902. The undesignated portion of this is \$1,132,218 and \$713,922 is reserved for debt service. A balance of \$2,762 remains in the capital project fund.

## **Budget**

The Landmark Academy Board of Directors approved the initial budget prior to July 1, 2006. Much of the school's income (90%) is based on enrollment projections and anticipated state aid, with expenses increasing proportionately. Since the formal student count occurs in late September, it is common to revise the budget in October to reflect the actual student enrollment. The Academy's State Aid revenue projection for the fiscal year was (and continues to be) based largely on verbal commitments from parents. The actual September 2006 count was 575, significantly more than the 522 commitment number used to formulate the budget. Late in the summer, the State of Michigan increased the per pupil state aid by \$210 per student, which resulted in an overall increase in state aid of 18%.

Page 13 of this report notes that the Academy exceeded the revised budget amount in the Other Support Services category. The amount in excess is less than 1% and had no effect on the financial position of the Academy. Total actual expenses were less than the final budgeted expenses.

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

One of the most significant changes in assets for the year was the purchase of the parking lot, which had been used by the school under an easement since the school's inception. The owners of the adjacent building (Cross Current Church) listed their building for sale in an effort to downsize their facilities. The school moved to secure ownership of the lot, a sale could adversely affect what has been a favorable relationship with the current owners. The cost to the school was \$120,000.

A few months later, the school entered into an exclusive lease agreement with the owners of the building for the entire 30,000 square foot second floor of the building to accommodate growth in enrollment - the addition of high school classes in the fall of 2007. Landmark also entered into an agreement to purchase the entire building by January of 2010, submitting an advance deposit of \$200,000. These agreements will result in a significant financial savings to the school, as estimates for future school buildings to accommodate growth in middle and high school enrollment would have nearly been double the costs negotiated in the purchases and lease agreement.

## **Currently Known Facts**

The student count for the 2007-2008 school year currently stands at 719, which represents a 25% increase over last year's enrollment - another solid year of growth. As planned, a third fifth grade class was added this year. Due to unexpected demand, first and second grades expanded to offer four classes for each. Two ninth grade classes were also added this year. An additional full-time special education teacher (bringing the total to three) will also be added this year. Five full-time high school teachers were hired for the year, as well as the additional first, second and fifth grade teachers. Additional teaching assistants have also been hired.

When Landmark's fifth grade students are promoted next year, a third sixth grade class is expected to be added. It is also expected that the school will add a fourth third grade class to accommodate the promotion of the second graders. Two tenth grade classes will be added to accommodate the promotion of the freshman class. This trend is anticipated to continue in the years that follow. The purchase of the 100,000 square foot Cross Current building (along with minor renovations to the first floor) has been planned for the summer of 2010. This will bring the entire two building campus to approximately 140,000 square feet on 66 acres of land.

# LANDMARK ACADEMY

## STATEMENT OF NET ASSETS

JUNE 30, 2007

### ASSETS

#### Current Assets

Cash and cash equivalents	\$ 469,836
Investments	716,684
Accounts receivable	6,580
Due from other governmental units	740,260
Prepaid expenses	282,883
	<hr/>
Total current assets	2,216,243

#### Facilities, Furniture and Equipment

At cost less accumulated depreciation of \$580,985	4,897,720
	<hr/>
Total assets	<u>\$ 7,113,963</u>

### LIABILITIES AND NET ASSETS

#### Current Liabilities

Accounts payable	\$ 150,213
Other accrued expenses	250,832
Long-term debt - current portion	85,000
	<hr/>
Total current liabilities	486,045

Long-Term Debt - Long-Term Portion 5,245,000

#### Net Assets

Invested in capital assets, net of related debt	(432,280)
Restricted for debt service	713,922
Restricted for capital projects	2,762
Unrestricted	1,098,514
	<hr/>
Total net assets	1,382,918

Total liabilities and net assets \$ 7,113,963

See accompanying notes to financial statements



**LANDMARK ACADEMY**

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2007

Functions	Expenses	Program Revenues		Net (Expense) Revenues and Changes in Net Assets
		Charges for Services	Operating Grants	Government Type Activities
Elementary school	\$ 1,258,894	\$ -	\$ 24,113	\$ (1,234,781)
Middle school	539,831	-	24,113	(515,718)
Special education	152,060	-	152,060	-
Compensatory education	218,093	-	187,897	(30,196)
Support services	76,088	-	-	(76,088)
General administration	40,398	-	-	(40,398)
Executive administration	358,409	-	-	(358,409)
Building administration	481,013	-	-	(481,013)
Business support services	119,290	-	-	(119,290)
Operation and maintenance	287,925	-	-	(287,925)
Field trips	1,170	-	-	(1,170)
Other support services	25,212	-	-	(25,212)
Unallocated depreciation	132,791	-	-	(132,791)
Unallocated interest	414,022	37,248	-	(376,774)
	<u>\$ 4,105,196</u>	<u>\$ 37,248</u>	<u>\$ 388,183</u>	<u>(3,679,765)</u>
 <b>General Purpose Revenues:</b>				
State school aid - unrestricted				3,967,250
Interest				19,821
Miscellaneous				5,571
				<u>3,992,642</u>
Excess of revenues over expenses				312,877
Net assets - July 1, 2006				<u>1,070,041</u>
Net assets - June 30, 2007				<u>\$ 1,382,918</u>

See accompanying notes to financial statements



**LANDMARK ACADEMY**

COMBINED BALANCE SHEET - ALL FUND TYPES  
JUNE 30, 2007

**ASSETS**

	<b>Governmental Fund Types</b>		
	<b>General</b>	<b>Debt Service</b>	<b>Capital Projects</b>
Cash and cash equivalents	\$ 469,836	\$ -	\$ -
Investments	-	713,922	2,762
Accounts receivable	6,580	-	-
Due from other governmental units	740,260	-	-
Prepaid expenses	282,883	-	-
	<b>\$ 1,499,559</b>	<b>\$ 713,922</b>	<b>\$ 2,762</b>

**LIABILITIES AND FUND BALANCES**

**Liabilities**

Accounts payable	\$ 150,213	\$ -	\$ -
Other accrued expenses	217,128	-	-
	<b>367,341</b>	<b>-</b>	<b>-</b>

**Fund Balance**

Designated for debt service	-	713,922	-
Designated for capital projects	-	-	2,762
Unreserved:			
Undesignated	1,132,218	-	-
	<b>\$ 1,499,559</b>	<b>\$ 713,922</b>	<b>\$ 2,762</b>

See accompanying notes to financial statements



**LANDMARK ACADEMY**

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

JUNE 30, 2007

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

<b>Total Governmental Fund Balances</b>	\$ 1,848,902
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$5,478,705 and the accumulated depreciation is \$580,985.	4,897,720
Interest is not payable until due in governmental activities and, therefore, is not recorded in the funds.	(33,704)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	<u>(5,330,000)</u>
<b>Net Assets of Governmental Activities</b>	<u><u>\$ 1,382,918</u></u>

See accompanying notes to financial statements



**LANDMARK ACADEMY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2007

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<b>Revenues</b>			
Local sources	\$ 107,564	\$ 35,522	\$ 1,726
State sources	4,069,599	-	-
Federal sources	203,662	-	-
	<hr/>	<hr/>	<hr/>
Total governmental fund revenues	4,380,825	35,522	1,726
<b>Expenditures</b>			
Elementary school	1,258,894	-	-
Middle school	539,831	-	-
Special education	152,060	-	-
Compensatory education	218,093	-	-
Support services	76,088	-	-
General administration	40,398	-	-
Executive administration	358,409	-	-
Building administration	481,013	-	-
Business support services	119,290	-	-
Operation and maintenance	287,925	-	-
Field trips	1,170	-	-
Other support services	25,212	-	-
Capital outlay	152,401	-	-
Debt principal and interest	-	555,366	35,169
	<hr/>	<hr/>	<hr/>
Total governmental fund expenditures	3,710,784	555,366	35,169
Excess (deficiency) of revenues over expenditures	670,041	(519,844)	(33,443)
<b>Other Financing Sources (Uses)</b>			
Operating transfers in	-	533,443	-
Operating transfers out	(533,443)	-	-
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	(533,443)	533,443	-
Excess (deficiency) of revenues and other financing sources over expenditures and other (uses)	136,598	13,599	(33,443)
Fund balance - July 1, 2006	995,620	700,323	36,205
	<hr/>	<hr/>	<hr/>
Fund balance - June 30, 2007	<u>\$ 1,132,218</u>	<u>\$ 713,922</u>	<u>\$ 2,762</u>

See accompanying notes to financial statements



## LANDMARK ACADEMY

### RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2007

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

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$ 116,754</b>
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Governmental funds report capital outlays as expenditures. However, in the statements of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay	\$ 187,570	
Depreciation expense	<u>(132,791)</u>	54,779

The governmental funds report loan proceeds as an other financing source, while repayment of loan principal is reported as an expenditure. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general loan obligations is as follows:

Repayment of loan principal	\$ 141,496	
Interest expense	<u>(152)</u>	<u>141,344</u>

<b>Change in Net Assets of Governmental Activities</b>	<b><u><u>\$ 312,877</u></u></b>
--	---------------------------------

See accompanying notes to financial statements



**LANDMARK ACADEMY**

**STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
FOR THE YEAR ENDED JUNE 30, 2007**

**ASSETS**

	<u>Agency</u>
Cash and cash equivalents	\$ 26,925
Total assets	<u>\$ 26,925</u>

**LIABILITIES**

Due to student groups	\$ 26,925
Total liabilities	<u>\$ 26,925</u>

See accompanying notes to financial statements



**LANDMARK ACADEMY**  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2007

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

The accounting policies of Landmark Academy (the "Academy") conform to generally accepted accounting principles applicable to public school academies. The following is a summary of the significant accounting policies:

**Reporting Entity**

Landmark Academy was formed as a public school academy pursuant to the Michigan School Code of 1976, as amended by Act No. 362 of the Public Acts of 1993 and Act No. 416 of the Public Acts of 1994. The Academy filed articles of incorporation as a nonprofit corporation pursuant to the provisions of the Michigan Nonprofit Corporation Act of 1982, as amended, on May 26, 1999, and began operation in July, 1999.

In July 1999, the Academy entered into a five year contract with Saginaw Valley State University's Board of Control to charter a public school academy. This contract was renewed for an additional five years in July, 2004. The contract requires the Academy to act exclusively as a governmental agency and not undertake any action inconsistent with its status as an entity authorized to receive state school aid funds pursuant to the State constitution. The University's Board of Control is the fiscal agent for the Academy and is responsible for overseeing the Academy's compliance with the contract and all applicable laws. The Academy pays Saginaw Valley State University's Board of Control three percent of state aid as administrative fees. Total administrative fees paid for the year ended June 30, 2007 were \$118,811.

In June 2006, the Academy entered into a three year consulting agreement with Summit Management, LLC. Under the terms of this agreement, Summit will provide a variety of services including oversight of administration and staff and coordinate the development of budgets and financial reports. The Academy is obligated to pay Summit \$150,000 or 6% of state aid, whichever is greater. The total paid for these services amounted to \$237,622 for the year ended June 30, 2007.

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

**Fund Financial Statements**

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

**Basis of Presentation - Fund Accounting**

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

**LANDMARK ACADEMY**  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2007

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

**Governmental Fund**

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

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

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

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

**Fiduciary Fund** - The fiduciary fund is used to account for assets held by the Academy in a trustee capacity or as an agent. The agency fund is custodial in nature and does not involve the measurement of results of operations.

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

Governmental funds utilize the modified accrual basis of accounting. Modifications in such method from the accrual basis are as follows:

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

**LANDMARK ACADEMY**  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2007

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

**Government Wide Financial Statements**

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

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

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

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

**Cash and Cash Equivalents**

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

**LANDMARK ACADEMY**  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2007

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

**Receivables**

Receivables at June 30, 2007 consist primarily of state school aid due from the State of Michigan. All receivables are expected to be fully collected in July and August of 2007 and are considered current for the purposes of these basic financial statements.

**Prepaid Assets**

Payments made to vendors for services that will benefit periods beyond June 30, 2007, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

**Capital Assets and Depreciation**

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The Academy defines capital assets as those with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. The Academy does not possess any infrastructure assets.

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

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

**Accrued Liabilities and Long-Term Obligations**

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

**LANDMARK ACADEMY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

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

**Net Assets**

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

**Fund Equity**

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

**Estimates**

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

**NOTE 2 - Stewardship, Compliance and Accountability**

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

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. State law requires the Academy to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. The Academy is required by law to adopt a general and special revenue fund, if applicable, budgets. The Academy originally adopted only a general fund budget, which includes traditional debt service fund revenues and expenditures. For the financial statement presentation these amounts are shown as a separate debt service fund. The Academy has not formally adopted a debt service fund or capital projects fund budget. During the year ended June 30, 2007 the budget was amended in a legally permissible manner.

The budget statement (budgetary comparison schedule - all governmental funds) is presented on the combined statement of revenue, expenditures, and fund balances, significant budget overruns are as follows:

	<u>Budget</u>	<u>Actual</u>
<b>General Fund</b>		
Other support services	\$ 25,000	\$ 25,212

**LANDMARK ACADEMY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

**NOTE 3 - Deposits and Investments**

The Academy maintains cash balances at various financial institutions. The balances are insured by the Federal Deposit Insurance Corporation up to \$100,000 per financial institution. The Academy's uninsured and uncollateralized cash balance as of June 30, 2007 amounted to \$391,528. The Academy's investments at June 30, 2007 were comprised of fund shares that had a carrying and market value of \$716,684. These investments are held by a trustee to be used solely for debt service on the Certificates of Participation as described in Note 7. The investments are in mutual funds that invest in US Treasury obligations.

**NOTE 4 - Due From Other Governmental Units**

Amounts owed from governmental units consist of the following:

At risk	\$ 13,435
Special education	5,182
State aid	<u>721,643</u>
Total	<u><u>\$ 740,260</u></u>

**NOTE 5 - Capital Assets**

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

	<b>Balance July 1, 2006</b>	<b>Additions</b>	<b>Balance June 30, 2007</b>
Land (non depreciable)	\$ 300,000	\$ 120,000	\$ 420,000
Buildout of facilities	3,671,355	30,978	3,702,333
Furniture and fixtures	144,285	36,592	180,877
Loan issuance costs	234,568	-	234,568
Machinery and equipment	224,915	-	224,915
Original classrooms	<u>716,012</u>	<u>-</u>	<u>716,012</u>
Subtotal	5,291,135	187,570	5,478,705
Accumulated depreciation	<u>448,193</u>	<u>132,792</u>	<u>580,985</u>
Net book value of assets	<u><u>\$ 4,842,942</u></u>	<u><u>\$ 54,778</u></u>	<u><u>\$ 4,897,720</u></u>

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

**LANDMARK ACADEMY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

**NOTE 6 - Accrued Expenses**

Accrued expenses may be summarized as follows:

	<u>Net Assets</u>	<u>Funds</u>
SVSU oversight	\$ 21,092	\$ 21,092
Purchased services - payroll and benefits	196,036	196,036
Other accrued expenses	33,704	-
Total accrued expenses	<u>\$ 250,832</u>	<u>\$ 217,128</u>

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

The following is a summary of long-term obligations for the Academy for the year ended June 30, 2007.

	<u>Balance</u> <u>July 1, 2006</u>	<u>Additions</u>	<u>Retirements</u> <u>and Payments</u>	<u>Balance</u> <u>June 30, 2007</u>	<u>Due Within</u> <u>One Year</u>
Capital lease	\$ 56,496	\$ -	\$ 56,496	\$ -	\$ -
Certificates of participation #1	3,335,000	-	50,000	3,285,000	50,000
Certificates of participation #2	2,080,000	-	35,000	2,045,000	35,000
Total	<u>\$ 5,471,496</u>	<u>\$ -</u>	<u>\$ 141,496</u>	<u>\$ 5,330,000</u>	<u>\$ 85,000</u>

The Academy has issued Certificates of Participation bearing interest at an average rate of 7.56 % through the year ended June 30, 2031. The obligations require semi-annual interest payments due on December 1st and June 1st and an annual payment of principal due on June 1st beginning in 2007. The certificates are collateralized by a mortgage on the Academy's facility as well as a pledge for 20% of State School Aid payments and investments held in trust for debt service.

The Academy has issued a second Certificates of Participation bearing interest at an average rate of 6.75% through the year ended June 30, 2031. The obligations require semi-annual interest payments due on December 1st and June 1st and an annual payment of principal due on June 1st beginning in 2004. The certificates are collateralized by a mortgage on the Academy's facility as well as a pledge for 20% of State School Aid payments and investments held in trust for debt service.

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

	<u>Principal</u>	<u>Interest</u>
2008	\$ 85,000	\$ 404,450
2009	95,000	398,800
2010	100,000	392,487
2011	110,000	385,837
2012	115,000	378,526
2013 - 2017	720,000	1,755,709
2018 - 2022	1,010,000	1,453,597
2023 - 2027	1,450,000	1,006,400
2028 - 2031	1,645,000	336,298

**LANDMARK ACADEMY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

**NOTE 8 - Operating Lease**

The Academy has entered into an operating lease agreement with an unrelated third party for the use of classroom facilities, gymnasium, and cafeteria space. The Academy is required to maintain adequate property and liability insurance coverage as well as maintain the property in like condition as at the inception of the lease term. The lease requires rental payments of \$24,000 monthly. The space is held under a thirty-four month lease beginning in April, 2007.

The Academy has also leased equipment for its facilities under non-cancelable agreements which expire at various times through February, 2012. The leases require approximate annual rentals of \$19,500.

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

	<u>Equipment</u>	<u>Facilities</u>
2008	\$ 19,500	\$ 288,000
2009	19,500	288,000
2010	19,500	168,000
2011	19,500	-
2012	11,300	-

Total rent expense included in the determination of net earnings for the year ended June 30, 2007 amounted to approximately \$91,000.

**NOTE 9 - Retirement Plan**

All leased employees of the Academy are eligible to participate in a retirement plan established by Summit which qualifies under the provisions of Section 401(k) of the Internal Revenue Code. The employer under this plan will contribute 4% of salaries regardless of the amount the employee contributes. The employer will additionally match up to 4% of employee contributed funds. Eligible employees may contribute up to 15% of their salaries under the terms of this plan. Total Academy contributions amounted to approximately \$122,112 for the year ended June 30, 2007.

**NOTE 10 - Interfund Transfers**

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

	<u>General</u>	<u>Debt Service</u>
Transfers In	\$ -	\$ 533,433
Transfers Out	(533,433)	-

**LANDMARK ACADEMY**  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2007

**NOTE 10 - Interfund Transfers - Continued**

As stipulated by the Academy's Certificates of Participation as described in Note 7, the Academy must transfer 20% of its state aid to a trustee. The trustee retains the required portion needed for debt service and returns the remainder to the Academy. The Academy has also initiated a second Certificate of Participation issuance as detailed in Note 7. This issuance was used to expand the Academy's current operating facility.

**NOTE 11 - Risk Management**

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

**NOTE 12 - Related Party Transactions**

Summit Management, LLC provides management services to the Academy as described in Note 1 of these financial statements. The Academy's school and business administrators are also members / owners of Summit Management, LLC. The board of directors is directly responsible for appointing the management firm and neither of the above mentioned individuals are eligible to vote for this appointment.

David M. Croskey, CPA  
Thomas B. Lanni, CPA  
Carolyn A. Jones, CPA  
Clifton F. Powell Jr., CPA

**INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTAL INFORMATION**

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

We have audited the accompanying financial statements of Landmark Academy for the year ended June 30, 2007. Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The additional information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Landmark Academy. This information has been subjected to the procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

  
Croskey, Lanni & Company, P.C.

August 3, 2007  
Rochester, Michigan

**LANDMARK ACADEMY**

REQUIRED SUPPLEMENTAL INFORMATION  
BUDGETARY COMPARISON SCHEDULE - ALL GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2007

	<b>General Fund</b>		
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>
<b>Revenue</b>			
Local sources	\$ 84,900	\$ 99,235	\$ 107,564
State sources	3,744,500	4,076,485	4,069,599
Federal sources	180,600	203,880	203,662
Total governmental fund revenues	4,010,000	4,379,600	4,380,825
<b>Expenditures</b>			
Elementary school	1,379,000	1,264,950	1,258,894
Middle school	541,000	561,050	539,831
Special education	110,000	155,000	152,060
Compensatory education	69,500	220,900	218,093
Support services	90,000	77,300	76,088
General administration	40,000	49,500	40,398
Executive administration	350,000	359,600	358,409
Building administration	486,000	491,500	481,013
Business support services	64,500	122,000	119,290
Operation and maintenance	298,000	302,000	287,925
Field trips	10,000	1,500	1,170
Other support services	25,000	25,000	25,212
Capital outlay	-	155,000	152,401
Debt principal and interest	-	-	-
Total governmental fund expenditures	3,463,000	3,785,300	3,710,784
Excess (deficiency) of revenues over expenditures	547,000	594,300	670,041
<b>Other Financing Sources (Uses)</b>			
Operating transfers in	-	37,000	-
Operating transfers out	(522,200)	(554,400)	(533,443)
Total other financing sources (uses)	(522,200)	(517,400)	(533,443)
Excess (deficiency) of revenues and other financing sources over expenditures and other (uses)	24,800	76,900	136,598
Fund balance - July 1, 2006	995,620	995,620	995,620
Fund balance - June 30, 2007	\$ 1,020,420	\$ 1,072,520	\$ 1,132,218

Debt Service Fund			Capital Projects Fund		
Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
\$ -	\$ -	\$ 35,522	\$ -	\$ -	\$ 1,726
-	-	-	-	-	-
-	-	-	-	-	-
-	-	35,522	-	-	1,726
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
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-	-	-	-	-	-
522,200	554,400	555,366	-	-	35,169
522,200	554,400	555,366	-	-	35,169
(522,200)	(554,400)	(519,844)	-	-	(33,443)
522,200	554,400	533,443	-	-	-
-	-	-	-	-	-
522,200	554,400	533,443	-	-	-
-	-	13,599	-	-	(33,443)
700,323	700,323	700,323	36,205	36,205	36,205
\$ 700,323	\$ 700,323	\$ 713,922	\$ 36,205	\$ 36,205	\$ 2,762



**LANDMARK ACADEMY**

SCHEDULE OF REVENUES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2007

	<b>General</b>	<b>Debt Service</b>	<b>Capital Projects</b>
<b>Local Sources</b>			
Interest	\$ 19,821	\$ 35,522	\$ 1,726
Local millages	75,284	-	-
Mini grant	6,888	-	-
Miscellaneous	5,571	-	-
Total local sources	107,564	35,522	1,726
<b>State Sources</b>			
At risk	73,859	-	-
Special education	37,827	-	-
State aid	3,957,913	-	-
Total state sources	4,069,599	-	-
<b>Federal Sources</b>			
Rural school grant	41,338	-	-
Special education	81,771	-	-
Title I	65,218	-	-
Title II A	14,564	-	-
Title II D	671	-	-
Title V	100	-	-
Total federal sources	203,662	-	-
Total governmental fund revenues	\$ 4,380,825	\$ 35,522	\$ 1,726

See independent auditor's report on supplemental information



**LANDMARK ACADEMY**

SCHEDULE OF EXPENDITURES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2007

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<b>Elementary School</b>			
Purchased services - salaries	\$ 887,178	\$ -	\$ -
Purchased services - benefits	199,060	-	-
Purchased services - payroll taxes	85,543	-	-
Textbooks and supplies	69,672	-	-
Workshops and conferences	17,441	-	-
Total elementary school	1,258,894	-	-
<b>Middle School</b>			
Purchased services - salaries	350,220	-	-
Purchased services - benefits	91,897	-	-
Purchased services - payroll taxes	33,383	-	-
Textbooks and supplies	53,869	-	-
Workshops and conferences	10,462	-	-
Total middle school	539,831	-	-
<b>Special Education</b>			
Purchased services - salaries	75,441	-	-
Purchased services - benefits	20,714	-	-
Purchased services - payroll taxes	7,432	-	-
Supplies and materials	47,913	-	-
Workshops and conferences	560	-	-
Total special education	152,060	-	-
<b>Compensatory Education</b>			
Purchased services - salaries	97,194	-	-
Purchased services - benefits	7,836	-	-
Purchased services - payroll taxes	9,240	-	-
Supplies and materials	43,877	-	-
Workshops and conferences	59,946	-	-
Total compensatory education	218,093	-	-

See independent auditor's report on supplemental information



**LANDMARK ACADEMY**

SCHEDULE OF EXPENDITURES - ALL GOVERNMENTAL FUND TYPES - Continued  
FOR THE YEAR ENDED JUNE 30, 2007

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<b>Support Services</b>			
Purchased services - salaries	34,034	-	-
Purchased services - benefits	7,638	-	-
Purchased services - payroll taxes	3,305	-	-
Subcontracted services	30,350	-	-
Staff training	310	-	-
Workshops and conferences	451	-	-
	<hr/>	<hr/>	<hr/>
Total support services	76,088	-	-
<b>General Administration</b>			
Advertising and recruiting	19,454	-	-
Professional fees	20,944	-	-
	<hr/>	<hr/>	<hr/>
Total general administration	40,398	-	-
<b>Executive Administration</b>			
Oversight fees	118,811	-	-
Management fees	237,622	-	-
Memberships and dues	1,976	-	-
	<hr/>	<hr/>	<hr/>
Total executive administration	358,409	-	-
<b>Building Administration</b>			
Purchased services - salaries	326,610	-	-
Purchased services - benefits	67,957	-	-
Purchased services - payroll taxes	32,273	-	-
Copier lease	18,735	-	-
Memberships and dues	1,712	-	-
Miscellaneous	11,642	-	-
Office supplies and other	8,444	-	-
Postage	3,546	-	-
Workshops and conferences	10,094	-	-
	<hr/>	<hr/>	<hr/>
Total building administration	481,013	-	-

**LANDMARK ACADEMY**

SCHEDULE OF EXPENDITURES - ALL GOVERNMENTAL FUND TYPES - Continued  
FOR THE YEAR ENDED JUNE 30, 2007

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<b>Business Support Services</b>			
Bank fees	4,848	-	-
Facilities lease	81,000	-	-
Insurance	23,669	-	-
Software maintenance	9,773	-	-
Total business support services	119,290	-	-
<b>Operation and Maintenance</b>			
Purchased services - salaries	87,798	-	-
Purchased services - benefits	14,909	-	-
Purchased services - payroll taxes	8,616	-	-
Maintenance	97,842	-	-
Supplies	20,623	-	-
Utilities	58,137	-	-
Total operation and maintenance	287,925	-	-
<b>Field Trips</b>	1,170	-	-
<b>Other Support Services</b>	25,212	-	-
<b>Capital Outlay</b>	152,401	-	35,169
<b>Debt Principal and Interest</b>	-	555,366	-
Total governmental fund expenditures	<u>\$ 3,710,784</u>	<u>\$ 555,366</u>	<u>\$ 35,169</u>



David M. Croskey, CPA  
Thomas B. Lanni, CPA  
Carolyn A. Jones, CPA  
Clifton F. Powell Jr., CPA

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*

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Landmark Academy as of and for the year ended June 30, 2007, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated August 3, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

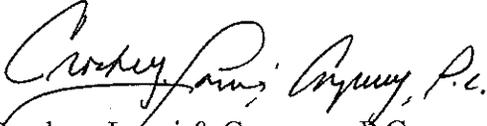
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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

## Compliance

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

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

  
Croskey, Lanni & Company, P.C.

August 3, 2007  
Rochester, Michigan