PIERRE TOUSSAINT ACADEMY
Detroit, Michigan

FINANCIAL STATEMENTS
June 30, 2008

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Gardner | Provenzano
Schauman & Thomas

CERTIFIED PUBLIC ACCOUNTANTS

Frederick C. Gardner
Giacamo Provenzano
James R. Schauman
Heather A. Thomas

INDEPENDENT AUDITOR'S REPORT

August 20, 2008

To the Board of Directors
Pierre Toussaint Academy
Detroit, Michigan

We have audited the accompanying financial statements of the governmental activities of Pierre Toussaint Academy, as of and for the year ended June 30, 2008, which comprise the Academy's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Pierre Toussaint Academy's management. Our responsibility is to express an opinion 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 of the Pierre Toussaint Academy as of June 30, 2008, 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.

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In accordance with *Government Auditing Standards*, we have also issued our report dated August 20, 2008, on our consideration of Pierre Toussaint 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.

The management's discussion and analysis and budgetary comparison information 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 supplementary information. However, we did not audit the information and express no opinion on it.

Gardner, Provenzano, Schauman & Thomas, P.C.

Certified Public Accountants

This section of the Pierre Toussaint Academy annual financial report presents our discussion and analysis of the Academy's financial performance during the year ended June 30, 2008. Please read it in conjunction with the Academy'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 Pierre Toussaint Academy as a whole. The Academy-wide financial statements provide information about the activities of the whole Academy, presenting both an aggregate view of the Academy's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. 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 Academy's operations in more detail than the Academy-wide financial statements by providing information about the Academy's funds – the general fund, food service fund, and athletic fund.

Management's Discussion and Analysis (MD&A)
(Required Supplemental Information)

Basic Financial Statements

Academy-wide Financial Statements *Fund Financial Statements*

Notes to the Basic Financial Statements

(Required Supplemental Information)
Budgetary Information for Major Funds

Other Supplemental Information

Reporting the Academy as a Whole - Academy-wide Financial Statements

One of the most important questions asked about the Academy is, "As a whole, what is the Academy's financial condition as a result of the year's activities?" The statement of net assets and the statement of activities, which appear first in the Academy's financial statements, report information on the Academy as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Academy's net assets - the difference between assets and liabilities, as reported in the statement of net assets - as one way to measure the Academy's financial health or financial position. Over time, increases or decreases in the Academy's net assets - as reported in the statement of activities

Reporting the Academy as a Whole - Academy-wide Financial Statements (continued)

- are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the Academy's operating results. However, the Academy's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the Academy.

The statement of net assets and the statement of activities report the governmental activities for the Academy, which encompass all of the Academy's services, including instruction, support services, community services, athletics and food services. Unrestricted state aid (foundation allowance revenue), and state and federal grants finance most of these activities.

Reporting the Academy's Funds - Fund Financial Statements

The Academy's fund financial statements provide detailed information about the Academy's funds - not the Academy as a whole. Some funds are required to be established by State law and by bond covenants. However, the Academy establishes many other funds to help it control and manage money for particular purposes (the food service and athletics funds are examples) or to show that it is meeting legal responsibilities for using grants and other money. The governmental funds of the Academy use the following accounting approach:

> Governmental funds - All of the Academy'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 Academy 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 Academy'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 Academy as a Whole

Recall that the statement of net assets provides the perspective of the Academy as a whole. Table 1 provides a summary of the Academy's net assets as of June 30, 2008 and June 30, 2007.

	2008	2007
Assets		
Current and other assets	$ 1,086,735	$ 988,307
Capital assets -		
Net of accumulated depreciation	75,938	192,528
Total Assets	1,162,673	1,180,835
Liabilities		
Current liabilities	473,316	301,902
Total Liabilities	473,316	301,902
Net assets		
Invested in capital assets -		
Net of related debt	75,938	192,528
Unrestricted	613,419	686,405
Total Net Assets	$ 689,357	$ 878,933

The above analysis focuses on the net assets of the Academy (see Table 1). The change in net assets (see Table 2) of the Academy's governmental activities is discussed below. The Academy's net assets were $689,357 at June 30, 2008. Capital assets, net of related debt totaling $75,938, compares the original cost, less depreciation of the Academy's capital assets to long-term debt used to finance the acquisition of those assets. At this time, the Academy has no debt associated with capital assets. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the Academy's ability to use those net assets for day-to-day operations. The Academy has no restricted net assets. The remaining amount of net assets, $613,419, was unrestricted.

The $613,419 in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. The unrestricted net assets balance enables the Academy to meet working capital and cash flow requirements as well as to provide for future uncertainties. The operating results of the general fund will have a significant impact on the change in unrestricted net assets from year to year.

The Academy as a Whole (continued)

The results of this year's operations for the Academy as a whole are reported in the statement of activities (Table 2), which shows the changes in net assets for fiscal years 2008 and 2007.

	2008	2007
Revenue		
Program revenue		
Charges for services	$ 1,690	$ 243
Grants	698,285	742,810
General revenue		
State aid-unrestricted	2,670,587	2,633,184
Interest	13,389	10,591
Other	17,183	5,638
Total Revenue	3,401,134	3,392,466
Function/Program expenses		
Instruction	1,392,860	1,306,808
Support services	1,852,173	1,878,799
Community services	10,540	17,000
Food services	163,921	160,680
Athletics	8,928	8,832
Depreciation (unallocated)	162,288	157,433
Total Expenses	3,590,710	3,529,552
Increase (decrease) in Net Assets	$ (189,576)	$ (137,086)

As reported in the statement of activities, the cost of all of our governmental activities this year was $3,590,710. Certain activities were partially funded from those who benefited from the programs $1,690 or by other governments and organizations that subsidized certain programs with grants and contributions $698,285. We paid for the remaining "public benefit" portion of our governmental activities with $2,670,587 in state foundation allowance, and with our other revenues, i.e., interest and general entitlements.

The Academy experienced a decrease in net assets of $189,576. The key reasons for the change in net assets were the increase in instruction expense and decrease in grant revenue.

As discussed above, the net cost shows the financial burden that was placed on the State by each of these functions. Since unrestricted state aid constitutes the vast majority of Academy operating revenue sources, the Board of Directors and administration must annually evaluate the needs of the Academy and balance those needs with State-prescribed available unrestricted resources.

The Academy's Funds

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

As the Academy completed this year, the governmental funds reported a combined fund balance of $613,419, which is a decrease of $72,986 from last year. The primary reason for the decrease was due to the decision by the Academy to; once again, use the fund balance to fund a solid educational program.

In the general fund, our principal operating fund, the fund balance decreased to $613,419. The change is mainly due to increased expenses.

The general fund balance is available to fund costs related to allowable school operating purposes.

General Fund Budgetary Highlights

Over the course of the year, the Academy revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the Academy's original and final budget amounts compared with amounts actually paid and received is provided in the required supplemental information of these financial statements.

First vs. Final Budget

There were significant revisions made to the 2007-2008 General Fund original budget. Budgeted revenues were increased $147,236 due mainly to increased grant revenues. Title I and IIA allocations were higher than originally predicted and we received some leftover mentor grant money as well. There was also more local revenue received than originally anticipated.

Budgeted expenditures were increased $190,173 to account for the increase in salaries and purchased professional services resulting from the Academy's revised operating plan. There was a significant increase in the budget for added needs due mostly to the increase in Title I revenue available to fund compensatory education. The amount of transfers to other funds established in the amended budget was $37,237 and represents support provided by the general fund to other funds.

Final Budget vs. Actual Results

There were no significant overall variances between the final budget and actual amounts.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2008, the Academy had a net investment in capital assets of $75,938 including leased building additions, leasehold improvements, site improvements and furniture and equipment. This amount represents a net decrease (including additions, disposals, and depreciation) of $116,590 from last year.

	2008	2007
Leased building additions	$ 95,055	$ 90,151
Leasehold improvements	254,730	254,730
Site improvements	73,918	73,918
Furniture & Equipment	268,820	228,026
Total Capital Assets	692,523	646,825
Less Accumulated Depreciation	616,585	454,297
Net Capital Assets	$ 75,938	$ 192,528

This year's additions included laptops and other computers, among other things. No debt was issued for these additions.

In fiscal year 2008-2009 we anticipate capital additions will be much less than 2007-2008 fiscal year. We present more detailed information about our capital assets in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

Our appointed officials and administration consider many factors when setting the Academy's 2009 fiscal year budget. One of the most important factors affecting the budget is our student count. The state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2009 fiscal year is 25 percent and 75 percent of the February 2008 and September 2008 student counts, respectively. The 2009 budget was adopted in May 2008, based on an estimate of students that will be enrolled in September 2008. Approximately 82 percent of total general fund revenue is from the foundation allowance. As a result, Academy funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2009 school year, we anticipate that the fall student count will be higher than the estimates used in creating the 2009 budget. Once the final student count and related per pupil funding is validated, State law requires the Academy to amend the budget if actual Academy resources are not sufficient to fund original appropriations.

Economic Factors and Next Year's Budgets and Rates (continued)

Since the Academy's revenue is heavily dependent on State funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to academies. The State periodically holds a revenue-estimating conference to estimate revenues. Based on the results of the most recent conference, the State estimates funds are sufficient to fund the appropriation. The overall State economy, however, is not very healthy at the moment and is cause for concern.

CONTACTING THE ACADEMY'S MANAGEMENT

This financial report is designed to provide our stakeholders with a general overview of the Academy's finances. If you have questions about this report or need additional information, contact the Administration Office, The Leona Group, 4660 S. Hagadorn Road, Suite 500, East Lansing, Michigan 48823.

PIERRE TOUSSAINT ACADEMY
ACADEMY WIDE STATEMENT OF NET ASSETS
JUNE 30, 2008

	Governmental Activities
Assets	
Cash & cash equivalents	$ 373,519
Due from other governmental units	602,755
Prepaids	110,461
Capital assets less accumulated depreciation	75,938
Total Assets	1,162,673
Liabilities	
Accounts payable	48,245
Accruals	365,071
Loan payable	60,000
Total Liabilities	473,316
Net Assets	
Invested in capital assets net of related debt	75,938
Unrestricted	613,419
Total Net Assets	$ 689,357

The accompanying notes are an integral part of these financial statements.

PIERRE TOUSSAINT ACADEMY
ACADEMY WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Governmental Activities: Net (Expense) Revenue and Changes in Net Assets
Instruction	$ 1,392,860	$ 800	$ 383,180	$ (1,008,880)
Support services	1,852,173	-	158,167	(1,694,006)
Community services	10,540	-	-	(10,540)
Food services	163,921	890	156,938	(6,093)
Athletics	8,928	-	-	(8,928)
Depreciation (unallocated)	162,288	-	-	(162,288)
Totals	$ 3,590,710	$ 1,690	$ 698,285	(2,890,735)
	General revenues:			
	State aid - unrestricted			2,670,587
	Interest			13,389
	Other			17,183
	Total General Revenues			2,701,159
	Change in Net Assets			(189,576)
	Net Assets - Beginning of Year			878,933
	Net Assets - End of Year			$ 689,357

The accompanying notes are an integral part of these financial statements.

PIERRE TOUSSAINT ACADEMY
GOVERNMENTAL FUNDS BALANCE SHEET
JUNE 30, 2008

	General Fund	Food Service	Athletics	Totals
Assets				
Cash & cash equivalents	$ 373,519	$ -	$ -	$ 373,519
Due from other governmental units	602,755	-	-	602,755
Prepaid expenditures	110,461	-	-	110,461
Total Assets	$ 1,086,735	$ -	$ -	$ 1,086,735
Liabilities and Fund Balance				
Liabilities				
Accounts payable	$ 48,245	$ -	$ -	$ 48,245
Accrued liabilities	296,854	-	-	296,854
Other liabilities	10,343	-	-	10,343
Deferred revenue	57,874	-	-	57,874
Loan payable	60,000	-	-	60,000
Total Liabilities	473,316	-	-	473,316
Fund Balance				
Reserved for prepaid expenses	110,461	-	-	110,461
Unreserved and undesignated	502,958	-	-	502,958
Total Fund Balance	613,419	-	-	613,419
Total Liabilities and Fund Balance	$ 1,086,735	$ -	$ -	$ 1,086,735

The accompanying notes are an integral part of these financial statements.

PIERRE TOUSSAINT ACADEMY
RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO ACADEMY WIDE STATEMENT OF NET ASSETS
JUNE 30, 2008

Total Fund Balances - Governmental Funds	$ 613,419
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds.	
The cost of the capital assets is	692,523
Accumulated depreciation is	(616,585)
Total Net Assets - Governmental Activities (Academy Wide)	$ 689,357

The accompanying notes are an integral part of these financial statements.

PIERRE TOUSSAINT ACADEMY
GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2008

	General	Food Service	Athletics	Totals
Revenue				
Local	$ 26,622	$ 890	$ -	$ 27,512
Other political subdivisions	4,750	-	-	4,750
State	2,864,203	6,729	-	2,870,932
Federal	347,731	150,209	-	497,940
Total Revenue	3,243,306	157,828	-	3,401,134
Expenditures				
Instruction	1,403,832	-	-	1,403,832
Supporting services				
Pupil support	105,044	-	-	105,044
Instructional staff	207,632	-	-	207,632
General administration	252,986	-	-	252,986
School administration	285,245	-	-	285,245
Business	110,583	-	-	110,583
Operations and maintenance	818,701	-	-	818,701
Pupil transportation services	9,538	-	-	9,538
Central services	92,266	-	-	92,266
Facilities acquisitions	4,904	-	-	4,904
Community services	10,540	-	-	10,540
Food service	-	163,921	-	163,921
Athletics	-	-	8,928	8,928
Total Expenditures	3,301,271	163,921	8,928	3,474,120
Excess (Deficiency) of Revenues over Expenditures	(57,965)	(6,093)	(8,928)	(72,986)
Other Financing Sources (Uses)				
Sources	-	6,093	8,928	15,021
Uses	(15,021)	-	-	(15,021)
Total Other Financing Sources (Uses)	(15,021)	6,093	8,928	-
Net Change in Fund Balance	(72,986)	-	-	(72,986)
Fund Balance, Beginning	686,405	-	-	686,405
Fund Balance, Ending	$ 613,419	$ -	$ -	$ 613,419

The accompanying notes are an integral part of these financial statements.

PIERRE TOUSSAINT 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, 2008

Net Change in Fund Balances - Governmental Funds	$	(72,986)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlay as expenditures; in the statement of activities, these costs are capitalized and depreciated over their estimated useful lives.		
Depreciation expense		(162,288)
Capital outlay		45,698
Change in Net Assets of Governmental Activities (Academy Wide)	$	(189,576)

The accompanying notes are an integral part of these financial statements.

NOTE 1--Summary of Significant Accounting Policies

A. Reporting Entity

Pierre Toussaint Academy was formed as a Public school academy pursuant to the Michigan School Code of 1976, as amended by Act 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.

On August 13, 1998, the Academy entered into a five-year contract with Ferris State University to charter a public school academy. The contract was extended through June 30, 2013. 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 Ferris State University Board of Trustees is the fiscal agent for the Academy and is responsible for overseeing the Academy's compliance with the contract and all applicable laws. The Academy pays the Ferris State University Board of Trustees three percent of state aid as administrative fees. The total administrative fee paid for the year ended June 30, 2008 to the Ferris State University Board of Trustees was $80,118.

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

The Academy's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Government Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements. Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989, when applicable, that do not conflict with or contradict GASB pronouncements. The more significant accounting policies relating to GAAP and used by the Academy are discussed below.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures; therefore, actual results could differ from those estimates.

NOTE 1--Summary of Significant Accounting Policies (continued)

B. Academy-Wide Statements

The Statement of Net Assets and the Statement of Activities are Academy-Wide statements and display information about the Academy as a whole. The Academy-Wide approach is focused more on the sustainability of the Academy as an entity and the change in the Academy's net assets from the current year's activities. These statements distinguish between activities that are governmental and those that are considered business-type activities. Currently, all activities of the Academy are considered to be governmental.

The Academy-Wide statements are prepared using the economic resources measurement focus and the full accrual basis of accounting. This basis is different from the manner in which the governmental fund financial statements are prepared. Therefore, reconciliation is included to identify the relationship between the Academy-Wide statements and the statements for the governmental funds.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *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 Academy and other unrestricted items are not included as program revenues but instead as *general revenues.*

The Academy first utilizes restricted resources to finance qualifying activities.

The charter-wide statement of activities reports both the gross and net cost of each of the Academy's functions. The functions are also supported by general government revenues (State Foundation Aid, certain intergovernmental revenues, investment income and other revenue). 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 net costs (by function) are normally covered by general revenue (State Foundation Aid, intermediate district sources, interest income and other revenues).

NOTE 1--Summary of Significant Accounting Policies (continued)

C. Fund Financial Statements

The accounts of the Academy are organized on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The following fund types are used by the Academy:

Governmental Funds

The governmental fund statements are prepared using the current resources measurement focus and the modified accrual basis of accounting. The fund approach is focused on the currently available resources and changes in the currently available resources of the Academy.

General Fund is the general operating fund of the Academy. It is used to account for all financial resources except those that are required to be accounted for in another fund.

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for a specified purpose. The special revenue funds maintained by the Academy are the food service fund and the athletic fund. The food service fund is intended to be self-supporting: however, any deficits are financed from operating transfers from the general fund. This year the athletic fund was supported entirely by the general fund.

Usually the emphasis in fund financial statements is on the major funds. The Academy has opted to display information for all funds without regard to the criteria for determination of major funds as determined by GASB 34.

D. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. Accounting basis relates to the timing of the measurements made regardless of the measurement focus applied.

Full Accrual

The full accrual basis of accounting requires recognition of revenues when earned and expenses when incurred, regardless of the timing of related cash flows. Grants, categorical aid, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. This method is used for the Academy-Wide statements.

NOTE 1--Summary of Significant Accounting Policies (continued)

D. Basis of Accounting (continued)

Modified Accrual

The modified accrual basis recognizes revenues when they are measurable and available, available means collectible with the current period or within 60 days after year-end. Expenditures are still recognized when incurred; however, principal and interest on long-term debt is recognized when payment is due. This method is used for the fund level statements.

The most significant difference between the full accrual basis of accounting and the modified accrual basis of accounting is the way in which capital assets and long-term debt are recognized. The full accrual basis of accounting recognizes purchases of capital assets as an asset and long-term debt proceeds as a liability (similar to a for-profit business). The modified accrual basis of accounting recognizes the purchase of capital assets as expenditures and long-term debt proceeds as other revenue sources.

E. Financial Statement Amounts

Cash

Cash includes cash on hand and demand deposits.

Receivables

The State of Michigan utilizes a foundation grant approach, which provides for a specific annual amount of revenue per student 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 charter schools based on information supplied by the schools. For the year June 30, 2008 the foundation allowance was based on the pupil membership counts taken in September of 2007 and February of 2007.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sale and other taxes. The state revenue is recognized during the foundation period and is funded through payments from October 2007 to August 2008. Thus, the unpaid portion at June 30 is reported as state aid receivable.

NOTE 1--Summary of Significant Accounting Policies (continued)

E. Financial Statement Amounts (continued)

Receivables (continued)

The Academy also receives revenue from the State to administer certain categorical education programs. State rules require that revenue earmarked for these programs be expended for its specific purpose. Categorical funds received, which are not expended by the close of the fiscal year, are recorded as deferred revenue.

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

Prepaids

Prepaid amounts consist of payments for which the Academy will have a future benefit and will be used up at a date beyond the current year-end.

Capital Assets and Depreciation

Capital assets purchased or acquired are reported at historical cost or estimated historical cost. Contributed assets are reported at fair value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs for repairs and maintenance are expensed as incurred. The Academy does not possess infrastructure type assets. Depreciation on all assets is provided on the straight-line method over the following estimated useful lives.

The capitalization policy of the Academy is as follows:

Software

Software costing more than $10,000 per application will be capitalized.

Furniture and Equipment

Furniture costing more than $1,000 per item will be capitalized. In addition, any item costing under $1,000 alone but purchased as a group for over $2,500 will be capitalized (i.e. 25 chairs costing $120 each would be capitalized).

NOTE 1--Summary of Significant Accounting Policies (continued)

E. Financial Statement Amounts (continued)

Capital Assets and Depreciation (continued)

Electronic data processing (EDP) equipment costing more than $1,000 per item will be capitalized. In addition, any item costing under $1,000 alone but purchased as a group for over $2,500 will be capitalized (i.e. 5 printers costing $520 each would be capitalized).

Non-EDP equipment costing more than $1,000 per item will be capitalized. In addition, any item costing under $1,000 alone but purchased as a group for over $2,500 will be capitalized (i.e. 4 fax machines costing $800 each would be capitalized).

Accounts Payable

Accounts payable consist of items from which the Academy benefited during the current fiscal year but has not yet paid.

Accrued Expenses

Accrued expenses consist of items related to payroll liabilities, specifically the withholding of employees' portion for insurance payments.

Due to Management Company

Due to the management company consist of amounts due on contracted employee's management fees, and other services provided that are due and payable for the current fiscal year.

Deferred Revenue

Deferred revenue represents amounts for which the Academy has received but has not yet earned. Deferred revenue is usually caused by the receipt of grant program revenues in excess of expenses/expenditures related to the grant. The revenues are deferred until the proceeds have been fully expensed/expended. At June 30, 2008, the Academy had $57,874 in deferred revenue.

NOTE 1--Summary of Significant Accounting Policies (continued)

E. Financial Statement Amounts (continued)

Inter-fund Activity

Inter-fund activity is reported as transfers. Transfers are eliminated upon conversion to full accrual.

NOTE 2--Stewardship, Compliance, and Accountability

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

A. The Management Organization submits to the School Board 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 in the combined statement of revenues, expenditures and changes in fund balances – budget and actual – general fund and special revenue funds.

B. Public hearings are conducted to obtain local public comments.

C. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (Public Act No. 2 of 1968). 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, or in excess of the amount appropriated. Any expenditures in violation of the budgeting act are disclosed as unfavorable variances in the budgetary comparison schedule – budget and actual (GAAP basis) – general fund and special revenue fund.

D. The management company is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.

E. Formal budgetary integration is employed as a management control device during the year for the general fund.

NOTE 2--Stewardship, Compliance, and Accountability (continued)

F. The budget as presented has been amended. Supplemental appropriations were made during the year with the last one approved prior to June 30th.

The Academy did not have significant expenditure budget variances.

NOTE 3--Deposits and Investments

The Academy is authorized, by the State of Michigan, to deposit its funds in banks, savings and loan associations, or credit unions having a principal office in Michigan.

The Academy is also authorized to invest in the following:

a. Direct bonds and obligations of the U.S. or agency or instrumentality,
b. CDs, savings accounts with banks, savings and loan associations, or credit unions which are insured with the applicable federal agency,
c. Commercial paper – within three highest rate classifications by at least two rating services, maturing not later than 270 days,
d. U.S. or agency repurchase agreements,
e. Banker's acceptance of U.S. banks,
f. Mutual funds – investments which local unit can make directly.

As of year-end, the carrying amount of the Academy deposits was $372,419 and the bank balance was $401,602. Of the bank balance, $0 was covered by federal depository insurance.

In accordance with its investment policy, the Academy will minimize interest rate risk, which is the risk that the market value of the securities in the portfolio will fall due to changes in market interest rates by: structuring the investment portfolio so that the securities purchased can mature immediately when funds are needed to meet operating need (sweep account). This avoids the need to sell securities in the open market, and investing operating funds primarily in short term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the Academy's cash requirements.

NOTE 4--Capital Assets and Accumulated Depreciation

Capital asset activity of the Academy was as follows:

	Balance July 1, 2007	Additions	Disposals	Balance June 30, 2008
Capital assets subject to depreciation				
Leased building additions	$ 90,151	$ 4,904	$ -	$ 95,055
Leasehold improvements	254,730	-	-	254,730
Site improvements	73,918	-	-	73,918
Furniture & Equipment	228,026	40,794	-	268,820
Total Capital Assets	646,825	45,698	-	692,523
Accumulated depreciation				
Leased building additions	65,035	7,658	-	72,693
Leasehold improvements	176,756	95,475	-	272,231
Site improvements	43,146	30,772	-	73,918
Furniture & Equipment	169,360	28,383	-	197,743
Total Accumulated Depreciation	454,297	162,288	-	616,585
Total Net Capital Assets	$ 192,528	$(116,590)	$ -	$ 75,938

NOTE 5--Risk Management

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The risk of employee injuries and medical benefits for employees of the management company are covered by insurance held by the management company. The Academy has purchased commercial insurance for all other claims.

NOTE 6--Management Company

The Academy has entered into a management agreement effective through June 30, 2008. Management fees have been calculated as 10 percent of gross revenue, excluding the administrative fee retained by the Ferris State University Board of Control, for the management, operation, administration, and education at the Academy. In addition, the Academy subcontracts all employees from the management company and reimburses the management company for operating costs.

The Academy incurred management fees totaling $331,411 for the year ended June 30, 2008. At June 30, 2008, accrued liabilities include $54,842 for the payment of management fees and $18,364 for reimbursement of subcontracted employees and other operating costs.

NOTE 7--Lease Commitments

The Academy leases buildings, modulars, and land under noncancelable operating leases. The Academy is responsible for insurance, repairs, and maintenance related to these facilities. The Academy incurred rent expense in connection with these leases of approximately $498,528 for the period ended June 30, 2008. The term of the lease was four years, beginning June 1, 2005 through June 30, 2008. Subsequent to June 30, 2008, the Academy was leasing month to month.

The Academy leases three copiers at monthly rates of $383, $385 and $385. The amount expensed for the three leases for the year ended June 30, 2008 was $11,538. Future payments are as follows:

Year Ended June 30,	
2009	$ 7,676
2010	4,596
2011	4,596
2012	2,298
Total	$ 19,166

NOTE 8--Interfund – Receivables, Payables, and Transfers

Fund	Transfer In	Fund	Transfer Out
Food Service	$ 6,093	General	$ 6,093
Athletics	8,928	General	8,928
	$ 15,021		$ 15,021

The transfers to the food service and athletics funds were to subsidize those programs.

NOTE 9--Short-Term Debt

The Academy had $60,000 outstanding at June 30, 2008 on a State Aid anticipation note due August 2008, bearing a variable interest rate. The following are the changes in short-term debt:

	Balance July 1, 2007	Additions	Retirements	Balance June 30, 2008
Governmental Activities				
State Aid anticipation note	$ -	$ 330,000	$ 270,000	$ 60,000
Totals	$ -	$ 330,000	$ 270,000	$ 60,000

The proceeds from the State Aid anticipation note were used to sustain operations until the Academy received State Aid.

REQUIRED SUPPLEMENTAL INFORMATION

PIERRE TOUSSAINT ACADEMY
BUDGETARY COMPARISON
FOR THE YEAR ENDED JUNE 30, 2008

	General Fund			Special Revenue Funds		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
Revenue						
Local	$ -	$ 26,350	$ 26,622	$ 300	$ 900	$ 890
Other political subdivisions	-	4,750	4,750	-	-	-
State	2,817,116	2,833,012	2,864,203	-	-	6,729
Federal	281,045	381,285	347,731	122,000	124,500	150,209
Incoming transfer and other	-	-	-	24,151	37,237	15,021
Total Revenues	3,098,161	3,245,397	3,243,306	146,451	162,637	172,849
Expenditures						
Instruction						
Basic programs	938,067	999,089	997,237	-	-	-
Added needs	317,359	393,313	406,595	-	-	-
Support Services						
Pupil	62,433	101,545	105,044	-	-	-
Instructional staff	195,887	208,001	207,632	-	-	-
General administration	236,385	217,715	252,986	-	-	-
School administration	330,648	292,318	285,245	-	-	-
Business	104,234	98,963	110,583	-	-	-
Operation and maintenance	758,964	811,792	818,701	-	-	-
Pupil transportation services	8,000	7,180	9,538	-	-	-
Central services	107,391	96,231	92,266	-	-	-
Facilities acquisition	-	10,400	4,904	-	-	-
Community services	9,870	9,778	10,540	-	-	-
Food service	-	-	-	137,251	153,576	163,921
Athletics	-	-	-	9,200	9,061	8,928
Outgoing transfers and other	24,151	37,237	15,021	-	-	-
Total Expenditures	3,093,389	3,283,562	3,316,292	146,451	162,637	172,849
Excess (Deficiency) of Revenues Over Expenditures	4,772	(38,165)	(72,986)	-	-	-
Fund Balance - Beginning of Year	686,405	686,405	686,405	-	-	-
Fund Balance - End of Year	$ 691,177	$ 648,240	$ 613,419	$ -	$ -	$ -

ADDITIONAL SUPPLEMENTAL INFORMATION

Gardner | Provenzano
Schauman & Thomas

CERTIFIED PUBLIC ACCOUNTANTS

Frederick C. Gardner
Giacamo Provenzano
James R. Schauman
Heather A. Thomas

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*

August 20, 2008

To the Board of Directors
Pierre Toussaint Academy
Detroit, Michigan

We have audited the financial statements of the governmental activities of Pierre Toussaint Academy as of and for the year ended June 30, 2008, which comprise Pierre Toussaint Academy's basic financial statements, and have issued our report thereon dated August 20, 2008. 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 Pierre Toussaint 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 the Pierre Toussaint Academy's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Pierre Toussaint 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 Pierre Toussaint Academy'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

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likelihood that a misstatement of Pierre Toussaint Academy's financial statements that is more than inconsequential will not be prevented or detected by Pierre Toussaint Academy'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 Pierre Toussaint Academy'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 over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial statements that we consider to be material weaknesses, as defined above.

Compliance

As part of obtaining reasonable assurance about whether Pierre Toussaint 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 the Board of Directors, management, and federal awarding agencies and the pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Gardner, Provenzano, Schauman & Thomas, P.C.

Certified Public Accountants