

CASA RICHARD ACADEMY
**(A Wayne Regional Educational
Service Agency Charter School)**

FINANCIAL STATEMENTS

JUNE 30, 2011

BOISVENU & COMPANY, P.C.
Certified Public Accountants
Bingham Farms, Michigan

CASA RICHARD ACADEMY
(A Wayne Regional Educational Service Agency Charter School)

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MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

		<u>Disclosure Made?</u>		
		<u>Yes</u>	<u>No</u>	<u>NA</u>
1.	Does the MD&A:			
	A. Precede the basic financial statements as required supplementary information? (GASBS No. 34, para. 8)	<u>X</u>	_____	_____
	B. Discuss current-year results in comparison with the prior year, placing emphasis on the current year? (GASBS No. 34 para. 9)	<u>X</u>	_____	_____
2.	Are the following items included in MD&A: (in the first year of implementation, the prior year statements do not have to be restated to provide the following disclosures.) (GASB No. 34, paras. 11 and 145)			
	A. A brief discussion of the basic financial statements, including the relationships of the statements to each other, and the significant differences in the information they provide?	<u>X</u>	_____	_____
	B. Condensed financial information derived from government-wide financial statements comparing the current year to the prior year, including, as a minimum, the following:			
	1. Total assets, distinguishing between capital and other assets?	<u>X</u>	_____	_____
	2. Total liabilities distinguishing between long-term liabilities and other liabilities?	<u>X</u>	_____	_____
	3. Total net assets, distinguishing among amounts invested in capital assets, net of related debt; restricted amounts; and unrestricted amounts?	<u>X</u>	_____	_____
	4. Program revenues, by major source?	<u>X</u>	_____	_____
	5. General revenues, by major source?	<u>X</u>	_____	_____
	6. Total revenues?	<u>X</u>	_____	_____
	7. Program expenses, at a minimum by function?	<u>X</u>	_____	_____
	8. Total expenses?	<u>X</u>	_____	_____
	9. Excess (deficiency) before contributions to term and permanent endowments or permanent fund principal, special and extraordinary items and transfers?	_____	_____	<u>X</u>
	10. Contributions?	_____	_____	<u>X</u>
	11. Special and extraordinary items?	_____	_____	<u>X</u>
	12. Transfers?	<u>X</u>	_____	_____
	13. Change in net assets?	<u>X</u>	_____	_____
	14. Ending net assets?	<u>X</u>	_____	_____

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

	<u>Disclosure Made?</u>		
	<u>Yes</u>	<u>No</u>	<u>NA</u>
C. An analysis of the overall financial position and results of operations (addressing both governmental and business-type activities) to assess whether financial position has improved or deteriorated during the year, including reasons for significant changes from the prior year and important economic factors (such as changes in the tax or employment bases) that significantly affected operating results?	<u>X</u>	_____	_____
D. An analysis of balances and transactions of individual funds, including the reasons for significant changes in fund balances or fund net assets and whether restrictions, commitments or other limitations significantly affect the availability of fund resources for future use?	<u>X</u>	_____	_____
E. An analysis of significant variations between original and final budget amounts and between final budget amounts and actual budget results for the general fund, including reasons for those variations that are expected to have a significant effect on future services or liquidity?	<u>X</u>	_____	_____
F. A description of significant capital asset and long-term debt activity, including a discussion of commitments made for capital expenditures, changes in credit ratings and debt limitations that may affect the financing of planned facilities or services?	_____	_____	<u>X</u>
G. A discussion of infrastructure assets (for governments that use the modified approach) including (1) significant changes in the assessed condition of eligible infrastructure assets, (2) how the current assessed condition compares with the condition level the government has established, and (3) any significant differences from the estimated annual amount to maintain/preserve eligible infrastructure assets compared with the actual amounts spent during the current period?	_____	_____	<u>X</u>
H. A description of currently known facts, decisions, or conditions that are expected to have a significant effect on financial position (net assets) or results of operations (revenues, expenses and other changes)?	<u>X</u>	_____	_____
I. A statement that a comparative analysis will be provided in future years when prior year information is available (if applicable)?	_____	_____	<u>X</u>
J. Other analysis necessary to meet the requirement for an objective and easily readable analysis of the charter's financial activities based on currently known facts, decisions and conditions? (GASBS No. 34, para.10)	<u>X</u>	_____	_____
K. Refer readers to separately issued financial statements, if any, for component unit(s)? GASBS 34, para. 10)	_____	_____	<u>X</u>

Casa Richard Academy

Management's Discussion and Analysis

This section of the Casa Richard Academy's annual financial report presents our discussion and analysis of the Academy's financial performance during the year ended June 30, 2011. 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 Casa Richard Academy financially as a whole. The charter-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 charter-wide financial statements by providing information about the Academy's most significant funds - the General Fund and the Capital Improvements Fund, with all other funds presented in one column as nonmajor funds. The remaining statement, the statement of fiduciary net assets, presents financial information about activities for which the Academy acts solely as an agent for the benefit of students and parents.

The annual report is arranged as follows:

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

Basic Financial Statements

Charter-wide Financial Statements *Governmental Funds Financial Statements*

Notes to the Basic Financial Statements

(Required Supplementary Information)
Budgetary Information for Major Funds

Casa Richard Academy

Management's Discussion and Analysis

Reporting the Academy as a Whole - Charter-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 - 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 non-financial factors, such as the quality of the education provided and the safety of the school, 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 and food services. Unrestricted State aid (foundation allowance revenue), and state and federal grants finance most of these activities.

Reporting the Academy's Most Significant Funds - Governmental Fund Financial Statements

The Academy's governmental fund financial statements provide detailed information about the most significant funds - not the Academy as a whole. Some funds are required to be established by State law. The governmental funds of the Academy use the following accounting approach:

Casa Richard Academy Management's Discussion and Analysis

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, 2011 compared with June 30, 2010.

Table 1			
Governmental Activities			
		<u>2011</u>	<u>2010</u>
Assets			
Current and other		\$628,068	\$686,228
Capital		<u>794,834</u>	<u>1,110,216</u>
Total Assets		<u>\$1,422,902</u>	<u>\$1,796,444</u>

Casa Richard Academy Management's Discussion and Analysis

Liabilities			
Current		<u>\$123,027</u>	<u>\$141,101</u>
Total Liabilities		<u>123,027</u>	<u>141,101</u>
Net Assets			
Invested in capital assets net of related debt		794,834	1,110,216
Restricted		23,998	27,991
Unrestricted		<u>481,043</u>	<u>517,136</u>
Total Net Assets		<u>\$1,299,875</u>	<u>\$1,655,343</u>

The above analysis focuses on the net assets (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 \$1,299,875 at June 30, 2011. Capital assets, totaling \$794,834, represents the original cost less depreciation and related debt of the Academy's capital assets. Restricted net assets are reported separately to show legal constraints that limit the Academy's ability to use those net assets for day-to-day operations. The remaining amount of net assets \$481,043 was unrestricted.

The \$481,043 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 results of this year's operations for the Academy as a whole are reported in the statement of activities (see Table 2), which shows the changes in net assets for fiscal years ended June 30, 2011 and 2010.

**Casa Richard Academy
Management's Discussion and Analysis**

Table 2		
Governmental Activities		
	<u>2011</u>	<u>2010</u>
Revenue		
State sources, primarily foundation allowance	\$880,588	\$993,353
Federal sources	181,501	255,194
Local sources	<u>9,042</u>	<u>16,288</u>
Total revenue	<u>\$1,071,131</u>	<u>1,264,835</u>
Functions/Program Expenses		
Instruction	557,713	631,443
Support services	<u>553,504</u>	<u>659,985</u>
Total functions/program expenses	<u>1,111,217</u>	<u>1,291,428</u>
Change in net assets	(40,086)	(26,593)
Net assets – beginning of the year	<u>545,127</u>	<u>571,720</u>
Net assets – end of the year	<u>\$505,041</u>	<u>\$545,127</u>

As reported in the statement of revenues, expenditures, and changes in fund balance, the cost of all of our governmental activities this year was \$1,111,217.

The Academy experienced a decrease in fund balance of \$40,086. The key reasons for the change in fund balance were related to reduced foundation allowance combined with a reduction in federal grants. Expenditures were realigned with the anticipated reduced funding levels while still maintaining a focus on achieving adequate yearly progress for our students.

Casa Richard Academy

Management's Discussion and Analysis

As discussed above, the net cost shows the financial responsibility that was placed on the State and the Academy by each of these functions. Since unrestricted State aid constitute the vast majority of district operating revenue sources, the Board of Education 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 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 provided 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 \$505,041, which is a decrease of \$40,086 from the prior year. The changes by major and nonmajor funds are as follows:

Table 3			
Fund Detail			
	<u>General Fund</u>	<u>Capital Fund</u>	<u>Total</u>
Fund Balances – Beginning of year	\$545,127	\$ 0	\$545,127
Increase (decrease)	<u>(40,086)</u>	<u>0</u>	<u>(40,086)</u>
Fund Balances – End of the year	<u>\$505,041</u>	<u>\$ 0</u>	<u>\$505,041</u>

Casa Richard Academy Management's Discussion and Analysis

In the General Fund, our principal operating fund, the fund balance decreased \$40,086 to \$505,041. The change is due mainly to:

- Reduced foundation allowance and a reduction in pupils
- Reduced federal grants

Fund balance of the General Fund 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. The final amendment to the budget was adopted just before year end. A schedule showing the Academy's original and final budget amounts compared with amounts actually paid and received is provided in required supplementary information of these financial statements.

There were significant revisions made to the 2010-2011 General Fund original budget during the year. Budgeted revenues were decreased by approximately \$20,000. The major reasons for the revisions were due to decreased state aid revenue related to pupil population.

Budgeted expenditures were decreased approximately \$2,000 to account for the Academy's revised operating plan due to fluctuations in pupil enrollment.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2011, the Academy had \$794,834 invested in a broad range of capital assets, including building, furniture, and equipment. There were not any new additions to capital assets during the 2010-2011 fiscal year.

Debt

At the end of this year, the Academy had \$123,027 in debt. Obligations include accrued salaries and payables.

Casa Richard Academy

Management's Discussion and Analysis

Economic Factors and Next Year's Budgets and Rates

Our elected officials and administration considered many factors when setting the Academy's 2011-2012 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 2011-2012 fiscal year is 25 percent and 75 percent of the February 2011 and October 2011 student counts, respectively. The 2011-2012 budget was adopted in June 2011 based on an estimate of students to be enrolled in September 2011. Approximately 90 percent of total General Fund revenue is from the foundation allowance. 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 2011-2012 school year, we anticipate that the fall student count will be close to the estimates used in creating the 2011-2012 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.

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 school districts. The State periodically holds a revenue-estimating conference to develop a consensus regarding expected revenue amounts. Based on the results of the most recent conference, the State estimates that funds will be sufficient to fund the appropriation. However, if actual State revenues are less than the estimates, reductions to per pupil funding may be necessary.

Contacting the Academy's Financial Management

The financial report is designed to provide the Academy's stakeholders, parents, and investors with a general overview of the Academy's finances and to demonstrate the Academy's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Services Department at 2665 Howard Drive, Detroit, Michigan.

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Casa Richard Academy
Detroit, Michigan

We have audited the accompanying financial statements of the governmental activities and major fund of Casa Richard Academy (a Wayne Regional Educational Service Agency charter school) as of and for the year ended June 30, 2011 which collectively comprise the Casa Richard Academy's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Casa Richard 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 and major fund of Casa Richard Academy, as of June 30, 2010, and the respective changes in financial position thereof 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 the Budgetary Comparison Schedule 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 Casa Richard Academy's basic financial statements. The combining nonmajor governmental fund's statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor governmental fund's 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 a report dated September 28, 2011, on our consideration of Casa Richard Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.



September 28, 2011

CASA RICHARD ACADEMY
(A Wayne Regional Educational Service Agency Charter School)

STATEMENT OF NET ASSETS

June 30, 2011

ASSETS	Governmental Activities
Current Assets:	
Cash	\$ 432,497
Receivables:	
Other governmental units	194,264
Prepaid expenditures	1,307
Total Current Assets	628,068
Noncurrent Assets:	
Capital assets	3,455,333
Less accumulated depreciation	(2,660,499)
Total Noncurrent Assets	794,834
Total Assets	\$ 1,422,902
LIABILITIES AND NET ASSETS	
Current Liabilities:	
Accounts payable	\$ 6,712
Accrued salaries and related items	116,315
State aid advance	-0-
Current portion of long term obligations	-0-
Total Current Liabilities	123,027
Noncurrent Liabilities:	
Non current portion of long-term obligations	-0-
Total Noncurrent Liabilities	-0-
Total Liabilities	123,027
Net Assets:	
Invested in capital assets net of related debt	794,834
Restricted	23,998
Unrestricted	481,043
Total Net Assets	1,299,875
Total Liabilities and Net Assets	\$ 1,422,902

CASA RICHARD ACADEMY
(A Wayne Regional Educational Service Agency Charter School)

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2011

Functions/programs	Expenses	Program Revenues		Governmental Activities
		Charges for Services	Operating Grants	Net (Expense) Revenue and Changes in Net Assets
Governmental Activities:				
Instruction	\$ 557,713	\$ -0-	\$ 73,655	\$ (484,058)
Support services	523,836	-0-	79,584	(444,252)
Food services	29,668	315	29,725	372
Unallocated depreciation	315,382	-0-	-0-	(315,382)
Total Governmental Activities	\$ 1,426,599	\$ 315	\$ 182,964	(1,243,320)
General Revenues:				
State of Michigan school aid unrestricted				879,125
Investment revenue				41
Other				8,686
Total General Revenues				887,852
Change in Net Assets				(355,468)
Net Assets, Beginning of Year				1,655,343
Net Assets, End of year				\$ 1,299,875

See notes to financial statements.

CASA RICHARD ACADEMY
(A Wayne Regional Educational Service Agency Charter School)

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2011

ASSETS	General Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Assets:			
Cash	\$ 432,497	\$ -0-	\$ 432,497
Receivables:			
Other governmental units	194,264	-0-	194,264
Prepaid expenditures	1,307	-0-	1,307
Total Assets	\$ 628,068	\$ -0-	\$ 628,068
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 6,712	\$ -0-	\$ 6,712
Accrued salaries and related items	116,315	-0-	116,315
State aid advance	-0-	-0-	-0-
Total Liabilities	123,027	-0-	123,027
Fund Balances:			
Restricted	23,998	-0-	23,998
Non-spendable	1,307	-0-	1,307
Unassigned	479,736	-0-	479,736
Total Fund Balances	505,041	-0-	505,041
Total Liabilities and Fund Balances	\$ 628,068	\$ -0-	\$ 628,068
Reconciliation to the Statement of Net Assets:			
Total Governmental Fund Balances			\$ 505,041
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not current financial resources and are not reported in the funds			
The cost of the capital assets is		\$ 3,455,333	
Accumulated depreciation is		(2,660,499)	
			794,834
Long term liabilities are not due and payable in the current period and are not reported in the funds			-0-
Net Assets of Governmental Activities			\$ 1,299,875

CASA RICHARD ACADEMY
(A Wayne Regional Educational Service Agency Charter School)

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the Year Ended June 30, 2011

	General Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenues:			
Local sources			
Investment income	\$ 41	\$ -0-	\$ 41
Other	8,686	315	9,001
Total Local Revenues	8,727	315	9,042
State sources	879,125	1,463	880,588
Federal sources	153,239	28,262	181,501
Total Revenues	1,041,091	30,040	1,071,131
Expenditures:			
Current:			
Instruction			
Basic programs	391,217	-0-	391,217
Added needs	166,496	-0-	166,496
Total Instruction	557,713	-0-	557,713
Support services:			
Pupil	93,340	-0-	93,340
Instructional staff	108,867	-0-	108,867
General administration	30,982	-0-	30,982
School administration	89,148	-0-	89,148
Business	11,289	-0-	11,289
Operations and maintenance	189,105	-0-	189,105
Transportation	1,105	-0-	1,105
Food services	-0-	29,668	29,668
Total Support Services	523,836	29,668	553,504
Total Expenditures	1,081,549	29,668	1,111,217
Excess (Deficiency) of Revenues over Expenditures	(40,458)	372	(40,086)
Transfers in (out)	372	(372)	-0-
Net Change in Fund Balances	(40,086)	-0-	(40,086)
Fund Balances, July 1, 2010	545,127	-0-	545,127
Fund Balances, June 30, 2011	\$ 505,041	\$ -0-	\$ 505,041

See notes to financial statements.

CASA RICHARD ACADEMY
(A Wayne Regional Educational Service Agency Charter School)

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

For the Year Ended June 30, 2011

Net change in fund balances total governmental funds	\$ (40,086)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures in the statement of activities.

These costs are allocated over their estimated useful lives as depreciation.

Depreciation expense	(315,382)
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Capital Outlay	-
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Repayment of principal on long-term debt is an expenditure in the governmental funds,
but not in the statement of activities (where it is a reduction of liabilities)

Change in Net Assets of Governmental Activities	<u><u>\$ (355,468)</u></u>
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CASA RICHARD ACADEMY
(A Wayne Regional Service Agency Charter School)

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Casa Richard Academy (the Academy) conform to accounting principles generally accepted in the United States of America as applicable to school districts. The accompanying general purpose 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 Academy. Based on applying these criteria, the Academy does not contain component units. The following is a summary of the Academy's significant accounting policies:

Nature of Activities

The Academy is chartered by the Wayne Regional Educational Service Agency ("RESA") for students in grades 6 through 12; the Academy is currently serving students in grades 9 through 12. The mission of the Academy is to provide alternative education and a school site to students meeting "at-risk" conditions, such as low academic achievement, behavioral problems, high risk of dropout, and fear of public school milieu.

Charter-wide and Fund Financial Statements

The Charter-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 Academy. The effect of any interfund activity has been removed from these statements. All of the Academy's activities are classified as governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers 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 and other unrestricted items are not included as program revenues but instead as *general revenues*.

Measurement focus, basis of accounting, and financial statement presentation

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

**CASA RICHARD ACADEMY
(A Wayne Regional Service Agency Charter School)**

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement focus, basis of accounting, and financial statement presentation (continued)

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Academy considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

State and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Academy.

The Academy reports the following major governmental funds:

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

Tax-Exempt Status

The Academy is exempt from federal and local income taxes as a chartered school. The Academy is similarly exempt from Michigan business tax.

Fixed Assets

Fixed assets acquired are recorded at cost. Donated fixed assets are recorded at their estimated fair value at the date of donation. Depreciation is provided using the straight-line method over the estimated useful lives of eleven years. The Academy's policy is to capitalize acquisitions of \$5,000 or more.

Furniture and equipment acquired through federal and state funding have been capitalized by the Academy. However, these resource providers may reserve the right to retain or transfer the title to this equipment. Should the Academy discontinue its programs, personal property purchased through these sources may revert back to these resource providers.

**CASA RICHARD ACADEMY
(A Wayne Regional Service Agency Charter School)**

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTE 2 – PROPERTY AND EQUIPMENT

At June 30, 2011, property and equipment consists of the following:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Ending Balance</u>
Leasehold improvements	\$3,331,490	\$ 0	\$ 0	\$3,331,490
Equipment and furniture	<u>123,843</u>	<u>0</u>	<u>0</u>	<u>123,843</u>
	<u>\$3,455,333</u>	<u>\$ 0</u>	<u>\$ 0</u>	3,455,333
Less accumulated depreciation				<u>2,660,499</u>
				<u>\$ 794,834</u>

Depreciation expense for the year ended June 30, 2011 was \$315,382.

NOTE 3 – LEASES

The Academy has renovated the building where the school is located to provide stability for the learning facilities. This building is being leased from the Archdiocese of Detroit over a 15-year term under an operating lease for \$1,200 per month. The building lease expires June 30, 2013. The Academy also leases equipment under operating leases. Rental expense for operating leases was approximately \$16,000 for the year ended June 30, 2011. Future minimum lease payments are approximately \$700 per month through June 30, 2012.

NOTE 4 – STATE AID ADVANCE

Not applicable this year.

NOTE 5 – CONCENTRATION OF CREDIT RISK

The Academy's grant funding is provided by the Wayne RESA.

**CASA RICHARD ACADEMY
(A Wayne Regional Service Agency Charter School)**

NOTES TO FINANCIAL STATEMENTS

NOTE 6 – INCOME TAXES

The Academy is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code, except on any net income derived from unrelated business activities. The Academy considers this exemption from income taxes to be a significant tax position. The Academy has evaluated and determined that there is no taxable unrelated business income. The Academy believes that it has appropriate support for any tax position taken and, as such, has determined that no additional disclosures of uncertain tax matters are required. Generally, tax years from 2003 through the current year remain open to examination.

NOTE 7 – SUBSEQUENT EVENTS

The date on which the financial statements were available to be issued was September 28, 2011 and the financial statements and related note disclosures include an evaluation of events up through this date.

NOTE 8 – CONCENTRATIONS OF CREDIT RISK

The Organization maintains its cash balances in one financial institution in Michigan. The balances for interest bearing accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Beginning December 31, 2010, the balances on non-interest bearing transaction accounts are fully insured through December 31, 2012. At June 30, 2011, the uninsured cash balances totaled approximately \$204,000.

CASA RICHARD ACADEMY
(A Wayne Regional Educational Service Agency Charter School)

REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

For the Year Ended June 30, 2011

	Budget Original	Budget Final	Actual	Variance with final budget Positive (Negative)
Revenues:				
Local	\$ 10,000	\$ 9,500	\$ 8,727	\$ (773)
State sources	878,187	875,954	879,125	3,171
Federal sources	175,000	157,380	153,239	(4,141)
Total Revenues	1,063,187	1,042,834	1,041,091	(1,743)
Expenditures:				
Current:				
Instruction				
Basic programs	375,854	382,248	391,217	(8,969)
Added needs	162,282	167,983	166,496	1,487
Total Instruction	538,136	550,231	557,713	(7,482)
Support services:				
Pupil	95,493	95,479	93,340	2,139
Instructional staff	119,614	111,440	108,867	2,573
General administration	34,360	34,585	30,982	3,603
School administration	99,280	93,458	89,148	4,310
Business	12,394	13,912	11,289	2,623
Operations and maintenance	203,787	201,129	189,105	12,024
Food services	-0-	-0-	-0-	-0-
Transportation	1,000	1,685	1,105	580
Total Support Services	565,928	551,688	523,836	27,852
Total Expenditures	1,104,064	1,101,919	1,081,549	20,370
Deficiency of Revenues over Expenditures	(40,877)	(59,085)	(40,458)	18,627
Transfer in (out)	-0-	(2,000)	372	(2,372)
Fund Balances, July 1, 2010	545,127	545,127	545,127	-0-
Fund Balances, June 30, 2011	\$ 504,250	\$ 484,042	\$ 505,041	\$ 20,999

CASA RICHARD ACADEMY
(A Wayne Regional Educational Service Agency Charter School)

OTHER SUPPLEMENTAL INFORMATION
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

June 30, 2011

	<u>Special Revenue</u>		<u>Capital projects</u>		<u>Total Nonmajor Governmental Funds</u>
ASSETS	Food Service				
Assets:					
Cash	\$ -0-	\$	-0-	\$	-0-
Receivables:					
Other governmental units	-0-		-0-		-0-
Other	-0-		-0-		-0-
Prepaid expenditures	-0-		-0-		-0-
Total Assets	<u>\$ -0-</u>	\$	<u>-0-</u>	\$	<u>-0-</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -0-	\$	-0-	\$	-0-
Accrued salaries and related items	-0-		-0-		-0-
Total Liabilities	<u>-0-</u>		<u>-0-</u>		<u>-0-</u>
Fund Balances:					
Unreserved	-0-		-0-		-0-
Total Fund Balances	<u>-0-</u>		<u>-0-</u>		<u>-0-</u>
Total Liabilities and Fund Balances	<u>\$ -0-</u>	\$	<u>-0-</u>	\$	<u>-0-</u>

CASA RICHARD ACADEMY
(A Wayne Regional Educational Service Agency Charter School)

OTHER SUPPLEMENTAL INFORMATION
COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended June 30, 2011

	<u>Special Revenue</u>		<u>Capital projects</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Food Service</u>			
Revenue:				
Local sources	\$ 315	\$	-0-	\$ 315
Investment income	-0-		-0-	-0-
Other	-0-		-0-	-0-
Total Local Revenue	<u>315</u>		<u>-0-</u>	<u>315</u>
State sources	1,463		-0-	1,463
Federal sources	28,262		-0-	28,262
Total Revenue	<u>30,040</u>		<u>-0-</u>	<u>30,040</u>
Expenditures:				
Current:				
Food services	29,668		-0-	29,668
Support services:				
Operations and maintenance	-0-		-0-	-0-
Total Expenditures	<u>29,668</u>		<u>-0-</u>	<u>29,668</u>
Excess of Revenues over Expenditures	372		-0-	372
Other Financing Sources:				
Operating transfers in / (out)	<u>(372)</u>		<u>-0-</u>	<u>(372)</u>
Net Change in Fund Balances				
Fund Balances, July 1, 2010	<u>-0-</u>		<u>-0-</u>	<u>-0-</u>
Fund Balances, June 30, 2011	<u>\$ -0-</u>	\$	<u>-0-</u>	<u>\$ -0-</u>



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

To the Board of Directors
Casa Richard Academy

We have audited the financial statements of Casa Richard Academy (a Wayne Regional Educational Service Agency Charter School) as of and for the year ended June 30, 2011, and have issued our report thereon dated September 28, 2011. 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 Casa Richard Academy's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Casa Richard Academy's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

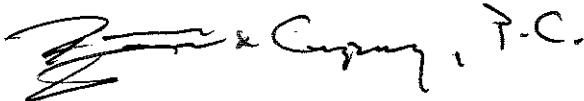
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the organization's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

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

A handwritten signature in black ink, appearing to read "James A. Capony, P.C.", is written over the date. The signature is stylized and cursive.

September 28, 2011