

NAH TAH WAHSH PUBLIC SCHOOL ACADEMY
Audited Financial Statements
For the year ended June 30, 2010

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INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

To the School Board
Nah Tah Wahsh Public School Academy
N14911 Hannahville B-1 Road
Wilson, MI 49896

We have audited the accompanying financial statements of the Nah Tah Wahsh Public School Academy's governmental activities as of and for the year ending June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the Nah Tah Wahsh Public School Academy's management. Our responsibility is to express an opinion on these basic 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, and the *Michigan School Auditing Manual*. 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 general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Nah Tah Wahsh Public School Academy, as of June 30th, 2010, and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated, October 5th, 2010 on our consideration of Nah Tah Wahsh Public School 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. 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 *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

Midwest Professionals, P.L.L.C

Certified Public Accountants

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To the School Board
Nah Tah Wahsh Public School Academy
Page 2

Accounting principles generally accepted in the United States of America require that the management's discussion on pages 6 through 14 and analysis and the budgetary comparison information on page 34 & 35 are presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Nah Tah Wahsh Public School Academy taken as a whole. The additional supplementary information - Schedule of Balance Sheet Information - All Funds (FID) Detail, Schedule of Revenue Information - All Funds (FID) Detail and Schedule of Expenditures - All Funds (FID) Detail on pages 36 through 38 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The additional supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Midwest Professionals
P.L.L.C.

Midwest Professionals, P.L.L.C.
Gaylord, Michigan
October 5th, 2010

Member of American Institute of Certified Public Accountants
Member of Michigan Association of Certified Public Accountants

MANAGEMENT DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

This section of the financial report presents our discussion and analysis of the Nah Tah Wahsh Public School Academy's (the "Academy") financial performance during the fiscal year that ended June 30, 2010. Please read it in conjunction with the Academy's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

* Nah Tah Wahsh Public School Academy's total net assets of governmental activities increased by \$34,919 which represents a 8% increase to the net asset balance ending June 30, 2010.

The increase in net assets was primarily the result of less than anticipated expenditures.

*State-Aid accounted for \$1.2 million in revenue, or 45% of all fiscal year 2010 revenue (excluding in-kind support). Direct tribal support dollars were \$1.1 million, or 42% of all fiscal year 2010 revenue (excluding in-kind support). Federal sources totaled \$0.21 million during the fiscal year, or 8% of all fiscal year 2010 revenue (excluding in-kind support).

*Direct expenses of the Academy, excluding in-kind services, were \$2.60 million for the fiscal year, which included \$2.3 million for instructional costs, \$.07 million for various added needs, \$0.14 million in administrative costs, and \$0.12 million in food service costs. Direct expenses for the Academy increased by approximately \$0.05 million during the fiscal year compared to the prior year.

*Of the two major funds, the General Fund had \$2.50 million in revenues during the fiscal year (excluding in-kind support), which consisted primarily of state-aid, tribal support and federal support. Expenditures for the year totaled \$2.46 million. The General Fund's fund balance increase of \$0.017 million was primarily the result of a decrease in anticipated expenditures.

The Food Service fund had \$0.13 million in revenues during the fiscal year (excluding in-kind support). Expenditures for the year totaled \$0.16 million, which was an increase from the prior year by \$0.02 million. In fiscal year 2010, the Food Service fund experienced a decrease in net assets. The current year decrease in net assets was due mostly to an increase in expenditures greater than anticipated budgeted amounts.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to Nah Tah Wahsh Public School Academy's basic financial statements. The Academy's basic financial statements consist of three components: 1) school-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

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

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

The statement of activities presents information showing how the Academy's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event, giving rise to the changes, occurs regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected state aid and earned but unused compensated absences).

The school-wide financial statements outline functions of the Academy that are principally supported by intergovernmental revenues. The school activities of the Academy include instruction and support services. The school-wide financial statements can be found on pages 17 and 18 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Academy uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Academy are included in governmental funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as school activities in the school-wide financial statements. However, unlike the school-wide financial statements, governmental fund financial statements focus on near-term inflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Academy's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the school-wide financial statements, it is useful to compare the information presented for governmental activities in the school-wide financial statements. By doing so, readers may better understand the long-term impact of the Academy's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and school activities. These reconciliations are on pages 21 and 23 respectively.

In accordance with Michigan Statutes the Academy maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General and Food Service Funds, both of which are considered major funds. Data from the two governmental funds are combined into a single, aggregated presentation. The governmental fund financial statements can be found on pages 20 through 23 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the school-wide and fund financial statements. The notes to the financial statements can be found on pages 25 through 32 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Academy's budget process. The Academy adopts an annual expenditure budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund and Food Service Fund as required supplementary information. These schedules can be found on pages 34 & 35 of this report. Although not required, additional schedules are presented on pages 36 through 38 to provide details for financial data submitted to the State of Michigan Department of Education (MDE). A financial information database is maintained by the MDE to provide information and statistics for future budgeting issues and monitoring.

SCHOOL-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of the Academy's financial position. As of June 30, 2010, assets exceeded liabilities by \$0.487 million.

The Academy's assets included capital assets which consist of a building, a parking lot and some food service equipment having costs in excess of the Academy's capitalization threshold of \$5,000. The Hannahville Indian Community owns all other land, buildings, vehicles, and much of the school equipment and provides these assets for an annual rental fee.

The Hannahville Indian Community provides support to the Academy through a number of services. These services include building costs, personnel salaries, student transportation services, library services, and other educational related costs paid for directly by the Hannahville Indian Community but benefiting the operations of the Academy. These costs are identified as "in kind" revenues and expenses on the Academy's basic financial statements. As noted in the financial footnote section of this financial report, the significance of these provided services is substantial in nature and warrants disclosure through financial presentation.

Figure 1 presents a summary of the Academy's net assets for the fiscal years ended June 30, 2009 and 2010.

Figure 1 - Summary of the Academy's Net Assets for 2009 and 2010

	As of June 30, 2009	As of June 30, 2010
Current Assets	\$ 819,880	\$ 709,508
Fixed Assets	103,721	128,314
Total Assets	<u>923,601</u>	<u>837,822</u>
Current Liabilities	429,516	304,520
Long-term Liabilities	42,344	46,642
Total Liabilities	<u>471,860</u>	<u>351,162</u>
Net Assets:		
Unrestricted	451,741	486,660
Total Net Assets	<u>\$ 451,741</u>	<u>\$ 486,660</u>

Figure 2 presents changes in net assets. The Academy's total revenues for the fiscal year ended June 30, 2010, were \$3.5 million. The total cost of all programs and services was \$3.5 million. Figure 2 presents a summary of the changes in net assets for the fiscal years ended June 30, 2009 and 2010.

Figure 2 - Summary of Changes in Net Assets for the Years Ended June 30, 2009 and 2010

	Fiscal Year Ended June 30, 2009	Fiscal Year Ended June 30, 2010
Revenues:		
Program Grants & Charges:		
Federal & State Sources	\$ 266,621	\$ 278,188
Charges for Meals	51,370	29,016
General		
State Aid - Michigan (+ARRA)	1,216,298	1,224,702
Tribal Support	1,002,170	1,099,401
Tribal Support – In Kind	834,697	859,143
Other	665	285
Total Revenues	<u>3,371,821</u>	<u>3,490,735</u>
Expenses		
School Activities		
Instruction	2,090,171	2,259,784
Added Needs	92,288	67,389
General Administration	176,450	100,014
Executive Administration	38,320	37,433
Food Service	141,543	127,619
Tribal Support – In Kind	834,697	859,143
Depreciation	3,397	4,433
Total Expenses	<u>3,376,866</u>	<u>3,455,818</u>
Increase (Decrease) in Net Assets	(5,044)	34,919
Beginning Net Assets	456,785	451,741
Ending Net Assets	<u>\$ 451,741</u>	<u>\$ 486,660</u>

Governmental activities. Figure 3 presents the cost of the seven major Academy functional activities: instruction, added needs, general administration, executive administration, food service, and tribal support services in-kind and depreciation of fixed assets.

The table below also shows each function’s net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs.) The net cost shows the financial burden that was placed on the general revenue sources of the Academy which was comprised mainly of state aid and tribal support, direct and in kind dollars.

Figure 3 - Cost of the Seven Major Functional Activities

	Major Functional Costs	Charges and Specific Program Government Aid	Net Major Functional Costs	Percentage Of Net Major Costs
Instruction	\$ 2,259,784	\$ 109,962	\$(2,149,823)	68.28%
Added Needs	67,389	67,389	-	0.00%
General Administration	100,014	-	(100,014)	3.18%
Executive Administration	37,433	-	(37,433)	1.19%
Food Service	127,619	129,853	2,234	0.00%
Tribal Support – In Kind	859,143	-	(859,143)	27.29%
Depreciation	4,433	-	(4,433)	0.14%
Totals	\$3,455,815	307,204	\$(3,148,611)	100.00%

- The cost of all school activities this year was \$3.5 million.
- The Federal and State governments subsidized certain programs with grants and contributions of \$0.28 million; charges for meals, totaled \$0.03 million helped to subsidize the Food Service activities.
- The net cost of governmental activities of \$3.06 million was financed by general revenues, which are made up primarily from State aid and tribal support (direct and in kind) of \$3.15 million.

FINANCIAL ANALYSIS OF THE ACADEMY'S FUNDS

As noted earlier, the Academy uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Academy's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Academy's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the Academy's net resources available for spending at the end of the fiscal year.

The financial performance of the Academy as a whole is reflected in its governmental funds. At June 30, 2010, the Academy's governmental funds reported a combined fund balance of \$404,988, an increase of \$14,624 from the prior year balance of \$390,364. This increase was due primarily to decreases in normal operating expenditures added needs and administration.

BUDGETS

General Fund Budgetary Highlights

The resources available for appropriation in the general fund were \$2.50 million (excluding in-kind support). General fund charges to appropriations were \$2.46 million. The actual result, an increase of \$17,333 comprised of an excess of revenues over expenditures totaling \$41,413 and a transfer to the Food Service Fund of \$(24,080), which was better than the \$(284,958) the budget allowed for improving fund balance from 384,958 to \$402,291

Food Service Fund Budgetary Highlights

The resources available for appropriation in the food service fund were \$129,856 (excluding in-kind support). Food service fund charges to appropriations were 156,645 (excluding in-kind support). The resulting budget had an operating deficit of (26,789) combined with a transfer from the General fund \$24,080 leaving decreasing the fund balance from 5,406 to \$2,697.

CAPITAL ASSETS

The Academy has capital assets consisting of a building, a parking lot and during kitchen equipment. The capitalization threshold used by the School Academy is set at \$5,000. The total cost for the building and land improvements was \$144,719. Depreciation for the year was \$4,433.

DEBT ADMINISTRATION

At year-end, the Academy had no outstanding long-term debt except for compensated absences totaling \$46,642.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Many Budgeting factors were considered by the Academy's administration during the process of developing the fiscal year 2010-2011 budget. Among them:

- Academy student population.
- Increasing Employee salaries and related benefits
- Alternative sources of revenues.
- Cost cutting measures to improve efficiency and effectiveness of Academy instructional and non-instructional programs.
- The unstable funding status of the State of Michigan and its budget crises.

These same indicators were considered when adopting the budget for fiscal year 2009-2010.

CONTACTING THE ACADEMY'S FINANCIAL MANAGEMENT

This financial report is designed to provide School Board, Federal and State funding agencies, and interested citizenry with a general overview of the Academy's finances and to demonstrate the Academy's accountability for the resources it receives. If you have questions about this report or need additional information, contact:

Renee Mosier- Financial Director
Nah Tah Wahsh Public School Academy
N14911 Hannahville B-1 Road
Wilson, MI 49896
(906)466-2952

BASIC FINANCIAL STATEMENTS

SCHOOL-WIDE FINANCIAL STATEMENTS

Nah Tah Wahsh Public School Academy

STATEMENT OF NET ASSETS JUNE 30, 2010

Current Assets

Cash and cash equivalents	\$ 251,237
Accounts receivable	429,625
Prepaid expenses	24,098
Inventory	4,550
	<hr/>
Total current assets	709,508

Capital Assets - Buildings & Land Improvements

At a cost of \$144,719 less accumulated depreciation of \$16,405	128,314
	<hr/>
Total assets	\$ 837,822
	<hr/> <hr/>

Liabilities

Accounts payable	\$ 35,102
Accrued salaries and liabilities	255,494
Bank overdraft payable	8,227
School group liability	5,696
	<hr/>
Total current liabilities	304,520
Long-Term Liabilities - Compensated absences	46,642
	<hr/>
Total liabilities	351,162
	<hr/>

Net Assets

Investment in capital assets, net of related debt	128,314
Unrestricted	358,346
	<hr/>
Total net assets	486,660
	<hr/>
Total liabilities and net assets	\$ 837,822
	<hr/> <hr/>

The notes to the financial statements are an integral part of this statement.

Nah Tah Wahsh Public School Academy

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

Functions	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants	Revenues and Changes in Net Assets
				Government Type Activities
Instruction	\$ 2,259,784	\$ -	\$ 109,962	\$ (2,149,823)
Added Needs	67,389	-	67,389	-
General Administration	100,014	-	-	(100,014)
Executive Administration	37,433	-	-	(37,433)
Food Service	121,562	29,016	96,539	3,993
Tribal Support Services In-Kind (See Note 12)	859,143	-	-	(859,143)
U.S.D.A. Commodities - In Kind	6,057	-	4,298	(1,759)
Depreciation of Capital Assets (Unallocated)	4,433	-	-	(4,433)
Total academy	\$ 3,455,815	\$ 29,016	\$ 278,188	(3,148,611)

General purpose revenues:

State school aid - unrestricted	1,178,687
ARRA - Discretionary offset	46,015
Tribal Support-In Kind	859,143
Local Support	1,099,401
Interest	285
Total general purpose revenues	3,183,531
Excess of revenues over expenses	34,919
Net assets, July 1, 2009	451,741
Net assets, June 30, 2010	\$ 486,660

The notes to the financial statements are an integral part of this statement.

GOVERNMENTAL FUND FINANCIAL STATEMENTS

Nah Tah Wahsh Public School Academy

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2010

Assets	General	Food Service	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
Cash and cash equivalents*	\$ 251,237	\$ - *	\$ 251,237
Accounts receivable	420,000	9,625	429,625
Prepaid expenses	24,098	-	24,098
Inventory	<u> -</u>	<u> 4,550</u>	<u> 4,550</u>
Total Assets	<u><u> \$ 695,334</u></u>	<u><u> \$ 14,175</u></u>	<u><u> \$ 709,509</u></u>
 Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 31,852	\$ 3,250	\$ 35,102
Accrued salaries and liabilities	255,494	-	255,494
Bank overdraft payable*	-	8,227 *	8,227
School Group Liability	<u> 5,696</u>	<u> -</u>	<u> 5,696</u>
Total Liabilities	<u> 293,043</u>	<u> 11,478</u>	<u> 304,520</u>
 Fund Balances			
Unrestricted:	<u> 402,292</u>	<u> 2,697</u>	<u> 404,989</u>
Total Fund Balance	<u> 402,292</u>	<u> 2,697</u>	<u> 404,989</u>
 Total Liabilities and Fund Balances	 <u><u> \$ 695,334</u></u>	 <u><u> \$ 14,175</u></u>	 <u><u> \$ 709,509</u></u>

The notes to the financial statements are an integral part of this statement.

Nah Tah Wahsh Public School Academy

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2010

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

Total Governmental Fund Balances	\$ 404,988
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$ 144,719 and the accumulated depreciation is \$16,405.	128,314
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	<u>(46,642)</u>
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Net Assets of Governmental Activities	<u><u>\$ 486,660</u></u>
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The notes to the financial statements are an integral part of this statement.

Nah Tah Wahsh Public School Academy

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	<u>General</u>	<u>Food Service</u>	<u>Total Governmental Funds</u>
Revenues			
Local Sources	\$ 1,099,401	\$ -	\$ 1,099,401
Local Sources - In-Kind	710,225	148,918	859,143
State Sources - Unrestricted	1,178,687	-	1,178,687
State Sources - 31A At Risk	61,259	-	61,259
State Sources - Food Service	-	7,808	7,808
Federal Sources	116,092	63,731	179,823
Federal Sources - ARRA - Discretionary Offset	46,015	-	46,015
Federal Sources - ARRA - Food Service Equipment	-	25,000	25,000
Federal Sources - U.S.D.A. Commodities - In Kind	-	4,298	4,298
Food Sales	-	29,016	29,016
Interest earned	283	3	285
	<u>3,211,961</u>	<u>278,774</u>	<u>3,490,734</u>
Expenditures			
Instruction	2,255,487	-	2,255,487
Added Needs	67,389	-	67,389
General Administration	100,014	-	100,014
Executive Administration	37,433	-	37,433
Tribal Support Services- In Kind	710,225	148,918	859,143
U.S.D.A. Commodities - In Kind	-	6,057	6,057
Food Service	-	121,562	121,562
Capital Outlay	-	29,026	29,026
	<u>3,170,548</u>	<u>305,562</u>	<u>3,476,111</u>
Excess (Deficiency) of revenues over expenditures	<u>41,413</u>	<u>(26,789)</u>	<u>14,624</u>
Other financing sources (uses)			
Operating transfers in	-	24,080	24,080
Operating transfers out	(24,080)	-	(24,080)
	<u>(24,080)</u>	<u>24,080</u>	<u>-</u>
Net Change in Fund Balances	17,333	(2,709)	14,624
Fund balance, July 1, 2009	<u>384,958</u>	<u>5,406</u>	<u>390,364</u>
Fund balance, June 30, 2010	<u>\$ 402,291</u>	<u>\$ 2,697</u>	<u>\$ 404,988</u>

The notes to the financial statements are an integral part of this statement.

Nah Tah Wahsh Public School Academy

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE- GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

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

Net change in Fund Balances- Total Governmental Funds \$ 14,624

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an individual cost of more than \$5,000 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 outlays	\$ 29,026	
Depreciation expense	(4,433)	
		24,593

The governmental funds report loan proceeds as an other financing source, while repayment of loan principal and interest is reported as an expenditure. The net effect of these differences in the treatment of general loan obligations is as follows:

Compensated Absences		(4,297)
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Change in Net Assets of Governmental Activities \$ 34,919

The notes to the financial statements are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

Nah Tah Wahsh Public School Academy
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nah Tah Wahsh Public School Academy received Charter school recognition from the Board of Control of Northern Michigan University on April 28, 1995. The Nah Tah Wahsh Public School Academy is located on reservation land of the Hannahville Indian Community, just off Hannahville Road, in Wilson, Michigan.

There is a School Board that oversees the operations of the Nah Tah Wahsh Public School Academy.

The financial statements of the Nah Tah Wahsh Public School Academy (the “Academy”) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB statements and interpretations constitute GAAP for governments, including public schools.

The accompanying financial statements have been prepared in accordance with the reporting model as defined by GASB Statement 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. GASB 34 significantly changes financial reporting for governmental entities, including public schools. The more significant of the Academy’s accounting policies are described below.

Reporting Entity

The Nah Tah Wahsh Public School Academy is an independent, separate, legal entity, chartered under Michigan law to serve as a public school, grades K-12. The Academy’s enrolled student population is comprised primarily of Native Americans which are members of the Hannahville Indian Community.

The school has no component units and therefore none are presented as part of the school's General Purpose Financial Statements.

Basis of Presentation

Basic Financial Statements

The basic financial statements of the Nah Tah Wahsh Public School Academy include the school-wide and the fund financial statements. Prior to implementation of GASB 34, the financial statements emphasized fund types and account groups. In the new reporting model the focus is on the Academy as a whole in the school-wide financial statements, while reporting additional and detailed information about the Academy’s major governmental and business-type activities in fund financial statements.

Nah Tah Wahsh Public School Academy
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES- Continued

School-Wide Financial Statements

The school-wide statement of net assets and statements of activities display information about the Academy. These statements include the financial activities of the overall Academy, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between governmental (school) and business-type activities of the Academy.

School activities are financed primarily through state-aid revenues, federal grants, and tribal support dollars from the Hannahville Indian Community. Business-type activities are financed primarily by revenues earned in transactions with external parties. There were no business-type activities for the fiscal year ending June 30, 2010.

The school-wide statement of activities reflects the cost of programs and functions (instructional, administration, etc.) reduced by directly associated revenues (program income, and operating and capital grants) to arrive at the net revenue or expense for each program and function. Net program revenue or expense for school activities is then adjusted for general revenues to determine the change in net assets for the year. Indirect expenses such as support services and administration incurred in school operations are not allocated to programs/functions that they may benefit. When both restricted and unrestricted resources are available for use, it is the Academy's policy to use restricted resources first, then unrestricted resources as they are needed.

Fund Financial Statements

The fund financial statements provide information about the Academy's funds. Separate statements for each fund category - governmental, proprietary, and fiduciary - are presented as applicable. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds. The Academy made use of only governmental funds for the fiscal year ending June 30, 2010.

The Academy reports the following governmental funds:

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.

Food Service Fund- the Food Service Fund is used to record the food service activity of the Academy. Federal grants are received under this fund in support of the Academy's free or reduced lunch and breakfast programs. Included are all transactions related to the approved current operating budget.

Nah Tah Wahsh Public School Academy
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES- Continued

Basis of Accounting

The Academy follows generally accepted accounting principles as outlined in the *Michigan School Accounting Manual*.

School-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when liabilities are incurred, regardless of when the related cash flow takes place.

Governmental funds are reported using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds from long-term debt and acquisitions under capital leases are reported as other financing sources.

Budgets

Budgets are adopted using the modified accrual basis of accounting, which is consistent with generally accepted accounting principles. An annual appropriated budget is adopted for the General Fund and the Food Service Fund.

Budgetary accounting is used to control expenditures and monitor revenues. Budgetary accounts are established in fund general ledgers as a useful procedural adaptation of the accounting system. Estimated revenues and expenditures adopted in the budget are recorded in those accounts. Information is thus available that allows management to continuously monitor compliance with the approved budget.

Cash and Cash Equivalents

For purposes of reporting cash flows, the Academy considers all investments with maturity of three months or less to be cash equivalents. The Academy maintains two checking accounts (General Fund and Food Service accounts) and has no short-term or long-term investments.

Nah Tah Wahsh Public School Academy
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES- Continued

Interfund Receivables/Payables

On the governmental financial statements, short-term amounts owed between the Academy’s General Fund and its Food Service Fund are classified as “due to” or “due from” in each fund. These balances are eliminated in the presentation of the school-wide financial statements.

Inventories

Inventories for food supplies and USDA commodities are recorded at cost and are reported as Food Service Fund assets. On both the governmental fund and the school-wide financial statements, food supplies and commodities are capitalized and expensed when consumed.

Capital Assets

The Academy has adopted a policy of capitalizing fixed assets, having a useful life of more than one year, with a historical cost of equal to, or greater than \$5,000. Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	10 – 40 years
Furniture and equipment	7 – 15 years
Computers and software	3 – 10 years

Compensated Absences

Personal leave time is accrued for full time employees at a rate of 120 hours per school year. Unused personal leave time may be sold back at a rate of 70% or it may be carried over to the next year. Termination of employment results in the payment of 100% of all accumulated leave time.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The Nah Tah Wahsh Public School Academy is a non-profit entity recognized as tax exempt by the Internal Revenue Service and State of Michigan Department of Treasury. Because of this recognition, no provisions for income taxes have been made in the school's financial statements.

Nah Tah Wahsh Public School Academy
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS

As of June 30, 2010 the balance of the Academy's General Fund checking was \$251,237 with a carrying amount at the bank of \$243,486 and the balance of the Food Service Fund checking account was \$(8,227) with an overdrawn carrying amount of \$(923) at the bank.

The total \$242,563 carrying amount in the bank, was less than the Federal Deposit Insurance Corporation (FDIC) limit of \$250,000, and therefore was fully covered by Federal deposit insurance as of June 30, 2010.

Sweep account activity involves daily balances which occasionally exceed the FDIC limit, and these balances, as they occur, are uninsured and uncollateralized. The Academy has no formal policy to address custodial credit risk.

The Academy had no investments as of June 30, 2010.

NOTE 3- ACCOUNTS RECEIVABLE

All year-end receivables were deemed to be collectible. Receivables as of June 30, 2010 consist of the following:

	General Fund	Food Service Fund	Memorandum Total Only
State Aid July & August	227,007	-	227,007
Federal ARRA Stabilization	46,015	-	46,015
Hannahville Indian Community	146,978	-	146,978
Federal School Lunch/Breakfast	-	9,625	9,625
Total Receivables	420,000	9,625	429,625

NOTE 4 – PREPAID COSTS

As of June 30, 2010 there was a total \$24,098 for a prepaid lease on meeting space in Escanaba, Michigan.

Nah Tah Wahsh Public School Academy
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

NOTE 5- INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

There were no interfund balances as of June 30, 2010.

Elimination entries would have been made in the preparation of the school-wide financial statements had there been any inter-fund balances. There was \$24,080 in transfers to the Food Service fund from the General Fund during the fiscal year ending June 30, 2010.

NOTE 6- RETIREMENT PLAN

Eligible employees of the Nah Tah Wahsh Public School Academy participate in the Michigan Public School Employees Retirement System. In fiscal year ended June 30, 2010 the Academy expensed \$235,522 in retirement benefits at the State prescribed rate of 16.54% until October 1, 2009 when it increased to 16.94%. Eligible wages totaled \$1,390,080 during the fiscal year. Participants in the plan are required to contribute towards their own retirement as well. The contribution rate varies as prescribed by State Law.

NOTE 7 – CAPITAL ASSETS

The Academy owns a building, has invested in some land improvements, and purchased certain food service equipment during the year ending June 30, 2010. Depreciation expense was not allocated to any specific functions.

	Balance	Additions	Balance
	July 1, 2009	Deletions	June 30, 2010
Building	95,523	-	95,523
Land Improvements	20,170	-	20,170
Equipment	-	29,026	29,026
Totals	115,693	29,026	144,719
Less Accumulated Depreciation	(11,972)	(4,433)	(16,405)
Cost Net of Depreciation	103,721	24,593	128,314

NOTE 8 – CURRENT LIABILITIES

Current liabilities consist of general fund accounts payable \$31,852, general fund accrued salaries and related liabilities \$255,494, food service accounts payable \$3,250, food service cash account overdraft of \$8,227 and an amount belonging to student organizations of \$5,696. Total current liabilities are considered due and payable within 30 to 90 days and at a maximum within the next fiscal year.

Nah Tah Wahsh Public School Academy
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

NOTE 9 – LONG-TERM DEBT

Long-term debt at June 30, 2010, was comprised solely of accumulated compensated absences. These compensated absences represent the estimated liability to be paid to employees under the Academy's personal leave policy. Accumulated compensated absences totaled \$46,642 as of June 30, 2010. A net increase in this liability occurred during the fiscal year totaling \$4,297.

NOTE 10 – RISK MANAGEMENT

The Academy is exposed to various risks of loss to torts; theft, damage, and destruction of assets, errors and omissions, injuries to employees, and natural disasters for which the Academy carries commercial insurance. There has been no significant reduction in insurance coverage from the previous year. In addition, there have been no settlements in excess of coverage in any of the prior fiscal years.

NOTE 11 – CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the State of Michigan. Any disallowed claims, including amounts already collected, may constitute a liability of the Academy's general fund. The amount of expenditures which may be disallowed by grantors, if any, cannot be determined at this time, although the Academy expects that such amounts would be immaterial.

NOTE 12- ECONOMIC DEPENDENCY

The Academy receives the majority of its operating revenue from the State of Michigan through the School Aid Act. The State of Michigan utilizes a foundation allowance funding approach for the state aid funding, which provides for a specific annual amount of revenue per student based on a state-wide formula. The levels of funding will vary from year to year based on the Academy's student counts. Management does not anticipate any material fluctuations in its student counts in the future years which would result in a loss of state aid revenues. The loss of these revenues would cause the Academy to become unable to perform regular daily administrative and operating activities.

The Academy also receives support from the Hannahville Indian Community (see Note 13) in the form of actual revenues as well as in-kind contributions. Loss of these forms of tribal support would also cause the Academy to become unable to perform regular daily administrative and operating activities.

Nah Tah Wahsh Public School Academy
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

NOTE 13 - HANNAHVILLE INDIAN COMMUNITY - RELATED PARTY TRANSACTIONS

Reimbursed Expenditures

The School Academy has an agreement with the Hannahville Indian Community whereby the Tribe pays certain program expenditures on behalf of the School Academy. This agreement requires that the School reimburse the Tribe for certain program expenditures. As of June 30, 2010, the School Academy did not have a balance due to the Hannahville Indian Community.

In-Kind Tribal Support

The Hannahville Indian Community provides support to the Nah Tah Wahsh Public School Academy through a number of services. These services include building costs, personnel salaries, student transportation services, a library service, and other educational related costs paid for by the Hannahville Indian Community but benefit the Nah Tah Wahsh Public School Academy. Estimated in-kind support for the general fund totaled \$710,225 during the fiscal year. In addition estimated in-kind support for the food service fund totaled \$148,918. These in-kind tribal support revenues/expenditures are presented separately on the Academy's basic financial statements and do not change fund balances.

Tribal Support

Besides contributing in-kind support services to the Academy, the Hannahville Indian Community also contributed actual support dollars totaling \$890,363 during the fiscal year. These support dollars went mainly towards supporting teachers' salaries, food service costs and other operating expenses.

Building Lease

The Academy rents school buildings and equipment from the Hannahville Indian Community.

NOTE 14 – 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 adopted by June 30. Adoption of a deficit budget is a violation of Michigan Uniform Budgeting and Accounting Act. During the year ended June 30, 2010 the budget was amended in a legally permissible manner. Total revenues exceeded total expenditures for the period for the general Aggregate Revenues, Expenditures and Transfer variances were under the 1% reasonableness threshold used by the Michigan Department of Education. There were no over budget variances of more than 1% in the general fund for any specific functions. The food service fund had unfavorable variances for total revenues of 13% (\$19,144) and for transfers of 20% (\$5,920). However, there was also a 15% or \$22,355 favorable variance for food service expenditures. The combined effect was an unfavorable variance of (\$2,709).

REQUIRED SUPPLEMENTAL INFORMATION

NAH TAH WAHSH PUBLIC SCHOOL ACADEMY

REQUIRED SUPPLEMENTAL INFORMATION
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual
Resources (Inflows)			
Local Sources	\$ 858,076	\$ 1,060,879	\$ 1,099,401
State Sources	1,335,998	1,328,724	1,239,946
Federal Sources	-	116,092	162,107
Interest earned	-	-	283
	<hr/>	<hr/>	<hr/>
Amounts Available for Appropriation	2,194,074	2,505,695	2,501,737
	<hr/>	<hr/>	<hr/>
Charges to Appropriations (Outflows)			
Instruction	2,131,011	2,338,139	2,255,487
Added Needs	-	144,752	67,389
General Administration	25,000	187,900	100,014
Executive administration	38,063	89,862	37,433
	<hr/>	<hr/>	<hr/>
Total Charges to Appropriations	2,194,074	2,760,653	2,460,324
	<hr/>	<hr/>	<hr/>
Resources Over Charges to Appropriations	-	(254,958)	41,413
	<hr/>	<hr/>	<hr/>
Other Financing Sources (Uses)	-	(30,000)	(24,080)
	<hr/>	<hr/>	<hr/>
Excess Over Charges to Appropriations and Other Financing Uses	-	(284,958)	17,333
	<hr/>	<hr/>	<hr/>
Fund Balance, July 1, 2009	384,958	384,958	384,958
	<hr/>	<hr/>	<hr/>
Fund Balance, June 30, 2010	\$ 384,958	\$ 100,000	\$ 402,291
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

See independent auditors' report on supplemental information.

NAH TAH WAHSH PUBLIC SCHOOL ACADEMY

REQUIRED SUPPLEMENTAL INFORMATION
 BUDGETARY COMPARISON SCHEDULE - FOOD SERVICE FUND
 FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual
	<u> </u>	<u> </u>	<u> </u>
Resources (Inflows)			
Local Sources	67,000	64,000	29,016
State Sources	-	-	7,808
Federal Sources	64,000	85,000	93,029
Interest earned	<u> -</u>	<u> -</u>	<u> 3</u>
 Amounts Available for Appropriation	 <u>131,000</u>	 <u>149,000</u>	 <u>129,856</u>
 Charges to Appropriations (Outflows)			
Food Service	131,000	150,000	127,619
Capital Outlay		29,000	29,026
	<u>131,000</u>	<u>179,000</u>	<u>156,645</u>
 Resources Over Charges to Appropriations	 -	 (30,000)	 (26,789)
Other Financing Sources (Uses)	<u> -</u>	<u> 30,000</u>	<u> 24,080</u>
 Excess Over Charges to Appropriations and Other Financing Sources	 -	 -	 (2,709)
 Fund Balance, July 1, 2009	 <u> 5,406</u>	 <u> 5,406</u>	 <u> 5,406</u>
 Fund Balance, June 30, 2010	 <u><u> \$ 5,406</u></u>	 <u><u> \$ 5,406</u></u>	 <u><u> \$ 2,697</u></u>

See independent auditors' report on supplemental information.

ADDITIONAL SUPPLEMENTAL INFORMATION

**NAH TAH WAHSH PUBLIC SCHOOL ACADEMY
SCHEDULE OF BALANCE SHEET INFORMATION - ALL FUNDS
DETAIL FOR FINANCIAL STATEMENT DATABASE (FID)
FOR THE YEAR ENDED JUNE 30, 2010**

			<u>General</u>	<u>Food Service</u>
		ASSETS		
11	101	Checking Account	251,237	-
25	101	Checking Account - Food Service	-	-
11	121	Accounts Receivable	420,000	-
25	121	Accounts Receivable - Food Service	-	9,625
25	173	Inventory - Food	-	4,550
11	192	Prepaid Expenditures	24,098	-
		TOTAL ASSETS	<u>695,334</u>	<u>14,175</u>
		LIABILITIES & FUND BALANCE		
		LIABILITIES		
11	402	Accounts Payable	31,852	
25	402	Accounts Payable - Food Service	-	3,250
25	402	Bank Account Overdraft Payable		8,227
11	431	School Group Liability	5,696	-
11	451	Accrued Payroll Liabilities	28,744	-
11	462	Accrued Salaries	226,750	-
		TOTAL LIABILITIES	<u>293,043</u>	<u>11,478</u>
		FUND BALANCE		
11	741	Fund Balance - Unreserved	402,291	-
25	741	Fund Balance - Unreserved Food Service	-	2,697
		TOTAL FUND BALANCE	<u>402,291</u>	<u>2,697</u>
		TOTAL LIABILITIES & FUND BALANCE	<u>695,334</u>	<u>14,175</u>

See independent auditors' report paragraph on supplemental information.

**NAH TAH WAHSH PUBLIC SCHOOL ACADEMY
SCHEDULE OF REVENUE INFORMATION - ALL FUNDS
DETAIL FOR FINANCIAL STATEMENT DATABASE (FID)
FOR THE YEAR ENDED JUNE 30, 2010**

			<u>General</u>	<u>Food Service</u>	
LOCAL SOURCES					
11	151	0000	Interest Revenue	283	-
25	151	0000	Interest Revenue	-	3
11	199	0000	Local Revenue	209,038	-
11	199	0000	Hannahville Indian Community Support	890,363	-
11	199	0000	Hannahville Indian Community - In-Kind	710,225	-
25	199	0000	Hannahville Indian Com. - In-Kind	-	148,918
25	163	0000	Breakfast/Lunch Sales	-	29,016
TOTAL FROM LOCAL SOURCES			<u>1,809,908</u>	<u>177,937</u>	
STATE SOURCES					
11	311	0010	State Aid	1,178,687	-
25	311	0010	State Aid	-	7,808
11	312	0020	31A - At Risk	61,259	-
11	519	0000	MMSTLC	-	-
TOTAL STATE SOURCES			<u>1,239,946</u>	<u>7,808</u>	
FEDERAL SOURCES					
11	411	0000	U.S. Dept. of Education -Rural Technology	19,945	-
11	414	0140	Title I, Part A CFDA# 84.010	88,836	-
11	414	0210	Title II, Part A & D CFDA# 84.367	6,889	-
11	417	0060	RESA Pass Thru - Safe & Drug Free School	422	-
11	412	0230	ARRA Stabilization Funds	46,015	-
25	415	0230	ARRA -Food Service Equipment Assistance	-	25,000
25	414	0110	National School Lunch, Breakfast & Summer Prog.	-	63,731
25	481	0000	U.S.D.A. Commodities In-Kind	-	4,298
TOTAL FEDERAL SOURCES			<u>162,107</u>	<u>93,029</u>	
TOTAL REVENUES			<u>3,211,961</u>	<u>278,774</u>	
TRANSFERS IN					
25	611	0000	Transfer from General Fund	-	24,080
TOTAL TRANSFERS IN			<u>-</u>	<u>24,080</u>	
TOTAL REVENUES & TRANSFERS IN			<u><u>3,211,961</u></u>	<u><u>302,853</u></u>	

See independent auditors' report paragraph on supplemental information.

**NAH TAH WAHSH PUBLIC SCHOOL ACADEMY
SCHEDULE OF EXPENDITURE INFORMATION - ALL FUNDS
DETAIL FOR FINANCIAL STATEMENT DATABASE (FID)
FOR THE YEAR ENDED JUNE 30, 2010**

				<u>General</u>	<u>Food Service</u>	
ELEMENTARY INSTRUCTION						
11	111	1240	8221	Professional Salaries	615,938	-
11	111	2820	8221	Retirement MPSERS	104,382	-
11	111	2830	8221	FICA	46,993	-
11	111	3190	8221	Purchased Services	8,576	-
11	111	7910	8221	Other	8,966	-
11	111	2130	8221	Insurances	206,554	-
TOTAL ELEMENTARY INSTRUCTION				<u>991,409</u>	<u>-</u>	
MIDDLE SCHOOL INSTRUCTION						
11	112	1240	8221	Professional Salaries	499,464	-
11	112	2820	8221	Retirement MPSERS	84,609	-
11	112	2830	8221	FICA	38,209	-
11	112	3190	8221	Purchased Services	18,649	-
11	112	7910	8221	Other	6,973	-
11	112	2130	8221	Insurances	149,826	-
TOTAL MIDDLE SCHOOL INSTRUCTION				<u>797,730</u>	<u>-</u>	
HIGH SCHOOL INSTRUCTION						
11	113	1240	8221	Professional Salaries	274,678	-
11	113	2820	8221	Retirement MPSERS	46,530	-
11	113	2830	8221	FICA	21,013	-
11	113	3190	8221	Purchased Services	26,254	-
11	113	7910	8221	Other	3,985	-
11	113	2130	8221	Insurances	93,888	-
TOTAL HIGH SCHOOL INSTRUCTION				<u>466,348</u>	<u>-</u>	
TOTAL INSTRUCTION				<u>2,255,487</u>	<u>-</u>	
OTHER ADDED NEEDS						
11	125	3190	8221	Other Professional Services	67,389	-
TOTAL OTHER ADDED NEEDS				<u>67,389</u>	<u>-</u>	
SUPPORT SERVICES STAFF						
11	219	7900	8221	In-Kind Expenses - HIC	710,225	-
TOTAL SUPPORT SERVICES STAFF				<u>710,225</u>	<u>-</u>	
GENERAL ADMINISTRATION						
11	231	3150	8221	Purchased Services	41,065	-
11	231	4210	8221	Building Rental	58,950	-
TOTAL GENERAL ADMININISTRATION				<u>100,014</u>	<u>-</u>	
EXECUTIVE ADMINISTRATION						
11	232	3150	8221	N.M.U. Administration	37,433	-
TOTAL EXECUTIVE ADMINISTRATION				<u>37,433</u>	<u>-</u>	
FOOD SERVICE						
25	297	7900	8221	Services - In-Kind	-	148,918
25	297	5610	8221	Food	-	112,449
25	297	5640	8221	Supplies & Materials	-	9,112
25	297	5650	8221	USDA Commodity Uses - In-kind	-	6,057
25	297	6410	8221	Capital Outlay - Food Service Equipment	-	29,026
TOTAL FOOD SERVICE				<u>-</u>	<u>305,562</u>	
TOTAL EXPENDITURES				<u>3,170,548</u>	<u>305,562</u>	
TRANSFERS OUT						
11	625	0000	8221	Transfer out to Food Service fund	24,080	-
TOTAL TRANSFERS OUT				<u>24,080</u>	<u>-</u>	
TOTAL EXPENDITURES & TRANSFERS OUT				<u>3,194,628</u>	<u>305,562</u>	

See independent auditors' report paragraph on supplemental information.

**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 School Board
Nah Tah Wahsh Public School Academy
N14911 Hannahville B-1 Road
Wilson, MI 49896

We have audited the basic financial statements of the Nah Tah Wahsh Public School Academy ("Academy") as of and for the year ended June 30, 2010, and have issued our report thereon dated October 5th, 2010. 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 the Academy's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Academy'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 entity'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 do be material weaknesses, as defined above. However, we identified a certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency in internal control over financial reporting as items **8-01**. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Midwest Professionals, P.L.L.C.

Certified Public Accountants

215 South Court Avenue, Gaylord, MI 49735
989-732-1156 Fax 989-731-2541

Nah Tah Wahsh Public School Academy
To the School Board
Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Nah Tah Wahsh Public School Academy's financial statements are free of material misstatements, 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*.

We noted certain matters that we have reported to the management of the Nah Tah Wahsh Public School Academy in a separate letter dated October 5th, 2010.

This report is intended for the information of the School Board of the Nah Tah Wahsh Public School Academy, its management, the Northern Michigan University Board of Trustees, and any federal and state awarding agencies as necessary and is not intended to be and should not be used by anyone other than these specified parties.

Midwest Professionals
P.L.L.C.

Midwest Professionals, P.L.L.C.

October 5th, 2010
Gaylord, Michigan

Member of American Institute of Certified Public Accountants
Member of Michigan Association of Certified Public Accountants

**NAH TAH WAHSH PUBLIC SCHOOL ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the basic financial statements of the Nah Tah Wahsh Public School Academy.
2. There is one significant deficiency relating to the audit of the financial statements reported in the *Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Governmental Auditing Standards*. The one significant deficiency was not considered to be a material weakness.
3. An audit conducted in accordance with OMB A-133 was not required in the current year. The audit was not performed under OMB A-133 guidelines.

**NAH TAH WAHSH PUBLIC SCHOOL ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

B. FINDINGS - FINANCIAL AUDIT

PRIOR YEAR FINDINGS:

Internal Control Over Financial Reporting

Significant Deficiency

08-01 – Budgetary Control

CONDITION: During the fiscal year audit ending June 30, 2008 it was discovered that, even though fund balances increased, several budget line items had actual expenditures that exceeded expected amounts by more than 1%.

CRITERIA: The Academy is required to legally adopt budgets that are to be adhered to and adjusted to avoid exceeding budgeted line items and to maintain a balanced or surplus budget.

CAUSE: Infrequent budget modifications allowed for some expenditures to exceed budgeted amounts.

EFFECT: It is possible that actual expenditures could exceed budgeted line items enough to cause a deficit budget for the year. Infrequent budget modifications could lead to unwise use of resources, operational inefficiencies, poor decision making and missed savings opportunities.

RECOMMENDATION: It is recommended that the Academy initiate tighter controls over the budget process and allow for more frequent budget modifications throughout the fiscal year in order to allow the Academy to avoid exceeding any budgeted expenditure line item.

STATUS: This condition remains *unresolved* as of June 30, 2010. Although the excess of expenditures of revenues were not excessive overall for the food service fund, variances were still above the target goal of no more than 1% unfavorable variance per total revenues and total transfers.

AUDITEE RESPONSE AND CORRECTIVE ACTIONS: The Academy agrees with the finding and the auditor's recommendations will be adopted. Specifically, the board will amend its budget policies to limit over budget variances to less than 1%.

**NAH TAH WAHSH PUBLIC SCHOOL ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

CURRENT YEAR FINDINGS:

Internal Control Over Financial Reporting None noted.

Compliance and Other Matters None noted.

Midwest Professionals, P.L.L.C

Certified Public Accountants

215 South Court Avenue, Gaylord, MI 49735
989-732-1156 Fax 989-731-2541

MANAGEMENT LETTER

To the School Board & Administration
Nah Tah Wahsh Public School Academy
N14911 Hannahville B-1 Road
Wilson, MI 49896

In planning and performing our audit of the basic financial statements of the Nah Tah Wahsh Public School Academy for the year ended June 30, 2010, we considered the Academy's internal control structure to plan our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control structure.

However, during our audit, we noted certain matters involving the internal control structure and other operational matters that are presented for your consideration. This letter does not affect our report dated October 5th, 2010, on the basic financial statements of the Nah Tah Wahsh Public School Academy. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control structure or result in other operational efficiencies. We will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our only comment is summarized as follows:

PRIOR YEAR FINDINGS:

UNCOLLATERALIZED CASH DEPOSITS

Condition: In performing procedures over cash deposits the following condition was noted. The Academy had cash account balances in excess of the \$250,000 F.D.I.C. insurance coverage in one banking institution. These uninsured balances were not collateralized as of June 30, 2008.

Effect: In the event of a banking institution failure, cash deposit balances carried in excess of the \$250,000 limit is not covered by F.D.I.C. insurance and could be lost. Subsequent to June 30, 2008, new legislation has raised the F.D.I.C. insurance limit to \$250,000. Even with this new limit the Academy would not be covered for excess deposits over \$250,000.

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To the School Board & Administration
Tah Wahsh Public School Academy
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Recommendation: When cash balances exceed \$250,000 in one banking institution, it is a sound business practice to spread the risk between two or more institutions to better insure the protection of the cash deposits. Another alternative would be to establish a collateralization agreement with the bank to cover balances exceeding the F.D.I.C. insurance limit with government securities such as U.S. Treasury notes or bonds.

Status: Although, as of June 30, 2010, the cash balances in the bank did not exceed the F.D.I.C. insurance limit, during the year the balances in the bank exceeded the F.D.I.C. insurance limit on numerous occasions exposing the Academy to risk of loss had the bank failed during those occasions.

CURRENT YEAR FINDINGS:

NONE

We wish to thank the School Superintendent – Tom Miller, the School's Accountant – Renee Mosier, and all the rest of the staff for their support and assistance. This letter is intended for the information of the Nah Tah Wahsh Public School Academy's management, school board, government agencies as required and others within the School as required and is not intended to be and should not be used by anyone other than these specified parties.

Midwest Professionals
P.L.L.C.

Midwest Professionals, P.L.L.C.
October 5th, 2010