

VOYAGEURS EXPEDITIONARY HIGH SCHOOL
MINNESOTA CHARTER SCHOOL NO. 4107
BEMIDJI, MINNESOTA
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
JUNE 30, 2011

VOYAGEURS EXPEDITIONARY HIGH SCHOOL
MINNESOTA CHARTER SCHOOL NO. 4107
BEMIDJI, MINNESOTA
JUNE 30, 2011

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VOYAGEURS EXPEDITIONARY HIGH SCHOOL
MINNESOTA CHARTER SCHOOL NO. 4107
BEMIDJI, MINNESOTA
YEAR ENDED JUNE 30, 2011

OFFICIAL DIRECTORY
(Unaudited)

School Board Members and Officers:

Chairperson

George Bartlett

Secretary

Paul Johnson

Treasurer

Ross Millar

Board Members:

Gwen Farris

Sandy LaFromboise
Removed Nov. 2010

George Stowe
Resigned Sept. 2010

Chris Dunshee
Appointed Nov. 2010

Angie Polman
Appointed Jan. 2011

Administration:

Executive Director

Julie Johnson-
Willborg

Administrative Assistant/Secretary

Jean Fjelsta

Business Manager/Treasurer

Rita Poulton



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Certified Public Accountants
513 Beltrami Avenue
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Bemidji, MN 56619
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INDEPENDENT AUDITORS' REPORT

**The Board of Education
Voyageurs Expeditionary High School
Minnesota Charter School No. 4107
Bemidji, Minnesota**

We have audited the accompanying financial statements of the governmental activities and each major fund of Voyageurs Expeditionary High School, Minnesota Charter School No. 4107, as of and for the year ended June 30, 2011, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Voyageurs Expeditionary High School, Minnesota Charter School No. 4107's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Voyageurs Expeditionary High School, Minnesota Charter School No. 4107, as of June 30, 2011, 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.

As described in Note 1 to the financial statements, Voyageurs Expeditionary High School adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as of June 30, 2011

In accordance with *Government Auditing Standards*, we have also issued a report dated October 24, 2011, on our consideration of the Voyageurs Expeditionary High School, Minnesota Charter School No. 4107's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control or financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

**Voyageurs Expeditionary High School
Minnesota Charter School No. 4107**

Management's Discussion and Analysis and the budgetary comparison information on pages 4 through 14 and 33 through 35, respectively, are not a required part of the 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 performed for the purpose of forming an opinion on the financial statements that collectively comprise Voyageurs Expeditionary High School, Minnesota Charter School No. 4107's basic financial statements. The supplementary information on page 36 is presented for purposes of additional analysis and is not a required part of the financial statements of Voyageurs Expeditionary High School, Minnesota Charter School No. 4107. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

The official directory on page 1 is presented for purposes of additional analysis and is not a required part of the financial statements of Voyageurs Expeditionary High School, Minnesota Charter School No. 4107. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Miller McDonald, Inc.

**October 24, 2011
Bemidji, Minnesota**

VOYAGEURS EXPEDITIONARY HIGH SCHOOL
MINNESOTA CHARTER SCHOOL NO. 4107
BEMIDJI, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2011

This section of Voyageurs Expeditionary High School, Minnesota Charter School No. 4107's, annual financial report presents our discussion and analysis of the School's financial performance during the fiscal year that ended on June 30, 2011. Please read it in conjunction with the School's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

Key financial highlights for the year ended June 30, 2011 include the following:

- School-wide revenues were \$982,723 and overall expenses were \$866,701.
- Governmental activities reported an excess of revenues over expenses of \$116,022 thereby increasing net assets to \$275,779.
- Governmental fund balances totaled \$198,788 at June 30, 2011, which was an increase of \$57,045 from June 30, 2010.
- At June 30, 2011 the School adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. GASB Statement No. 54 defines and classifies fund balances as Nonspendable, Restricted, Committed, Assigned and Unassigned. See Note 1 in the financial statements for the School's fund balances.

OVERVIEW OF THE FINANCIAL STATEMENTS

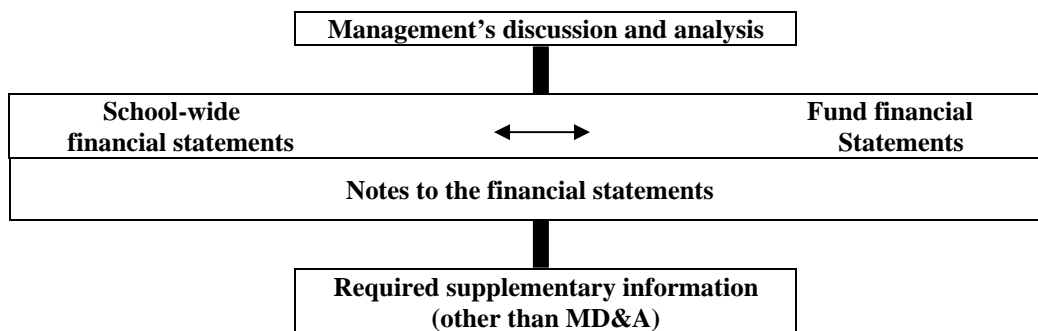
The financial section of the annual report consists of four parts – Independent Auditors' Report, required supplementary information, which includes the management's discussion and analysis (this section), the basic financial statements, and supplementary information. The basic financial statements include two kinds of statements that present different views of the School:

- The first two statements are *school-wide financial statements* that provide both *short-term* and *long-term* information about the School's overall financial status.
- The remaining statements are *fund-financial statements* that focus on individual parts of the School, reporting on the School's operations in more detail than the school-wide statements.
- The *governmental funds statements* report how basic services such as regular and special education were financed in the short-term as well as what remains for future spending.

VOYAGEURS EXPEDITIONARY HIGH SCHOOL
MINNESOTA CHARTER SCHOOL NO. 4107
BEMIDJI, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2011

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the School's general and food service special revenue funds budgets for the year. The following diagram explains how the various parts of this annual report are arranged and related to one another.



The major features of the School's financial statements, including the portion of the School's activities they cover and the types of information they contain, are summarized below. The remainder of the overview section of the MD&A highlights the structure and content of each of the statements.

	School-wide Statements	Fund Financial Statements Governmental Funds
Scope	Entire School except fiduciary funds	The activities of the School that are not proprietary or fiduciary type activities, such as instructional education and building maintenance.
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus
Type of assets/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable

VOYAGEURS EXPEDITIONARY HIGH SCHOOL
MINNESOTA CHARTER SCHOOL NO. 4107
BEMIDJI, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2011

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

School-wide Statements

The School-wide statements report information about the School as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the School's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The school-wide statements report the School's net assets and how they changed. Net assets – the difference between the School's assets and liabilities – are one way to measure the School's financial health or position.

- Over time, increases or decreases in the School's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the School you need to consider additional non-financial factors such as student enrollment, and the ability to lease adequate building space at an affordable cost.

In the School-wide financial statements the School's activities are shown in one category:

- **Governmental Activities** – The majority of the School's basic services are included within these activities, such as, regular and special education, administration, and food services. State aids finance the majority of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the School's funds – focusing on its most significant or "major" funds – not the School as a whole. Funds are accounting devices the School uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by State law.
- The School establishes other funds to control and manage money for particular purposes or to show that it is properly using certain revenues (e.g., federal grants).

The School has one type of fund:

Governmental Funds – The School's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the School's programs. Because this information does not encompass the additional long-term focus of the School-wide statements, we provide additional information following the governmental fund statements that explains the relationships (or differences) between them.

VOYAGEURS EXPEDITIONARY HIGH SCHOOL
MINNESOTA CHARTER SCHOOL NO. 4107
BEMIDJI, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2011

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE
(SCHOOL-WIDE FINANCIAL STATEMENTS)

Net Assets

The School's combined net assets were \$275,779 at June 30, 2011 (see the following table). At June 30, 2010 the net assets were \$159,757, with an increase of \$116,022 from operating activities for the year ended June 30, 2011.

	2011	2010	Net Changes	
			Amount	Percent
Current and other assets	\$ 232,150	\$ 226,441	\$ 5,709	2.52%
Capital assets, net of depreciation	76,991	18,014	58,977	327.40%
Total assets	309,141	244,455	64,686	26.46%
Current liabilities	33,362	84,698	(51,336)	-60.61%
Net assets:				
Invested in capital assets, net of related debt	76,991	18,014	58,977	327.40%
Restricted	1,422	6,025	(4,603)	-76.40%
Unrestricted	197,366	135,718	61,648	45.42%
Total net assets	\$ 275,779	\$ 159,757	\$ 116,022	72.62%

Net assets increased by 72.62% from the prior year. The change was primarily the result of excess revenues over expenditures from the general fund.

VOYAGEURS EXPEDITIONARY HIGH SCHOOL
MINNESOTA CHARTER SCHOOL NO. 4107
BEMIDJI, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2011

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE
(SCHOOL-WIDE FINANCIAL STATEMENTS) (Continued)

Change in Net Assets

The increase in net assets occurs as a result of the School's revenues being more than its expenses for the year ended June 30, 2011. A summary of the School's revenues and expenses, along with the percentages for each category follows:

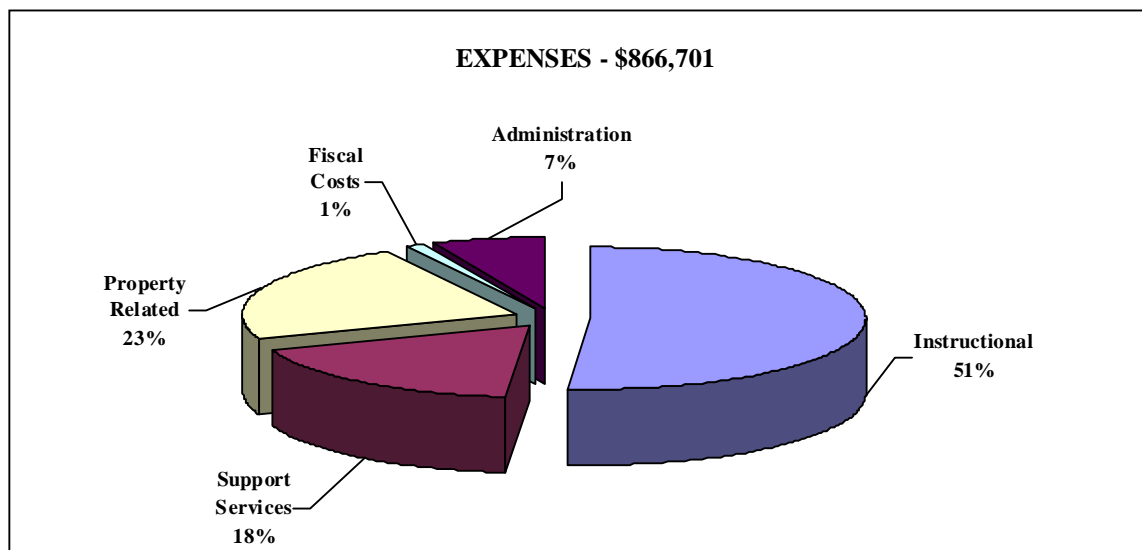
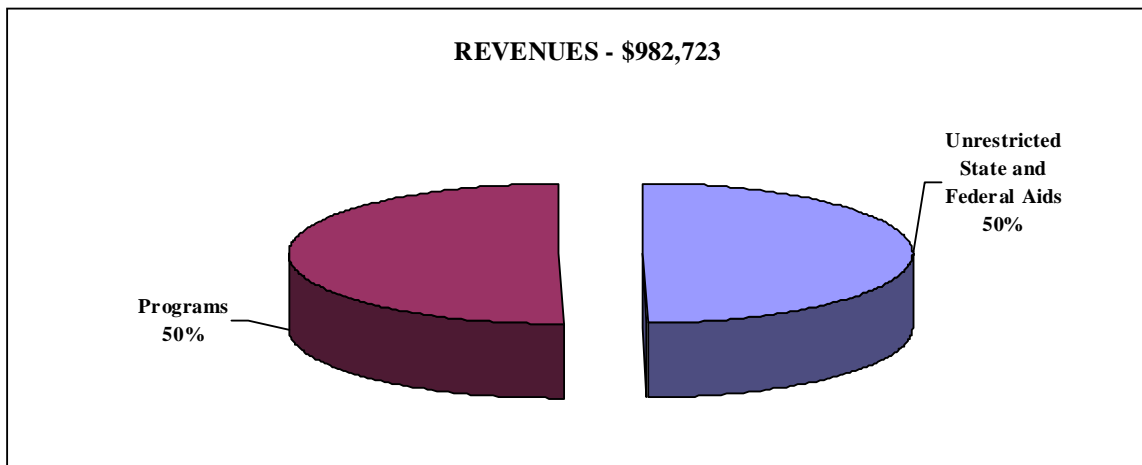
	2011		2010		Net Changes	
	Amounts	Percent	Amounts	Percent	Amounts	Percent
<u>Revenues:</u>						
Program Revenues:						
Charges for Services	\$ 780	0.08%	\$ 1,929	0.19%	\$ (1,149)	-59.56%
Operating Grants and Contributions	493,174	50.18%	463,107	46.62%	30,067	6.49%
Total Program Revenues	493,954	50.26%	465,036	46.81%	28,918	6.22%
General Revenues:						
Aids and Payments from State and Federal Sources	485,311	49.38%	499,752	50.30%	(14,441)	-2.89%
Other Sources	3,458	0.35%	28,577	2.88%	(25,119)	-87.90%
Total General Revenues	488,769	49.74%	528,329	53.19%	(39,560)	-138.43%
Total Revenues	982,723	100.00%	993,365	100.00%	(10,642)	-1.07%
<u>Expenses:</u>						
<u>Instructional Services:</u>						
Regular Instruction	296,371	34.20%	397,745	42.66%	(101,374)	-25.49%
Exceptional Instruction	150,188	17.33%	161,235	17.29%	(11,047)	-6.85%
Total Instructional Services	446,559	51.52%	558,980	59.94%	(112,421)	-20.11%
<u>Support Services:</u>						
District Support Services	95,462	11.01%	66,082	7.09%	29,380	44.46%
Instructional Support Services	3,982	0.46%	8,790	0.94%	(4,808)	-54.70%
Pupil Support Services	56,171	6.48%	36,471	3.92%	19,700	54.02%
Total Support Services	155,615	17.95%	111,343	11.94%	44,272	39.76%
Administration	58,571	6.76%	36,194	3.88%	22,377	61.83%
Site, Buildings and Equipment	196,725	22.70%	216,167	23.18%	(19,442)	-8.99%
Fiscal and Other Fixed Costs	9,231	1.07%	9,812	1.05%	(581)	-5.92%
Total Expenses	866,701	100.00%	932,496	100.00%	(65,795)	-7.06%
Changes in Net Assets	\$ 116,022		\$ 60,869		\$ 55,153	

VOYAGEURS EXPEDITIONARY HIGH SCHOOL
MINNESOTA CHARTER SCHOOL NO. 4107
BEMIDJI, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2011

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE
(SCHOOL-WIDE FINANCIAL STATEMENTS) (Continued)

The School's total revenues consisted of program revenues of \$493,954 and unrestricted payments from state and federal sources of \$488,769. Expenses totaling \$866,701 consisted of regular and exceptional instruction costs of \$446,559; support services of \$155,615; site, buildings and equipment related costs of \$196,725; fiscal and fixed-cost programs of \$9,231; and administrative costs of \$58,571.

The following charts express revenues and expenses for the year in broad categories:



VOYAGEURS EXPEDITIONARY HIGH SCHOOL
MINNESOTA CHARTER SCHOOL NO. 4107
BEMIDJI, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2011

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE
(SCHOOL-WIDE FINANCIAL STATEMENTS) (Continued)

The net cost of governmental activities is the total costs less program revenues applicable to each category. Total and net costs for the year ended June 30, 2011 and 2010 are as follows:

	<u>Cost of Services - 2011</u>		<u>Cost of Services - 2010</u>	
	<u>Total</u>	<u>Net</u>	<u>Total</u>	<u>Net</u>
Expenses:				
Administration	\$ 58,571	\$ 58,571	\$ 36,194	\$ 36,144
District Support Services	95,462	95,462	66,082	66,082
Regular Instruction	296,371	86,710	397,745	158,782
Exceptional Instruction	150,188	(13,965)	161,235	71,795
Instructional Support Services	3,982	3,982	8,790	8,790
Pupil Support Services	56,171	30,676	36,471	(4,071)
Site, Buildings and Equipment	196,725	102,080	216,167	120,126
Fiscal and Other Fixed Costs	9,231	9,231	9,812	9,812
Total Expenses	\$ 866,701	\$ 372,747	\$ 932,496	\$ 467,460

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS
(FUND FINANCIAL STATEMENTS)

Fund Balances

The financial performance of the School as a whole is reflected in its governmental funds as well. As the School completed the year, its governmental funds reported a combined fund balance of \$198,788. This was up from \$141,743 at the end of the prior year, an increase of \$57,045. The increase was primarily the result of excess revenues over expenditures revenues in the General Fund of \$61,648. The Food Service Fund reported an excess of expenditures over revenues of \$4,603.

Revenues and Expenditures

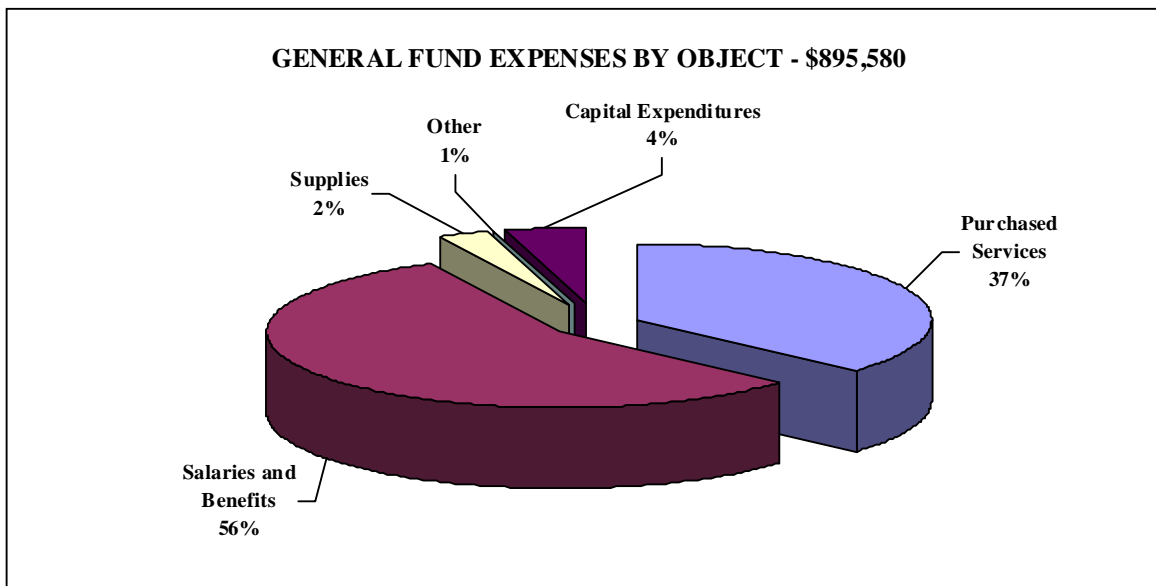
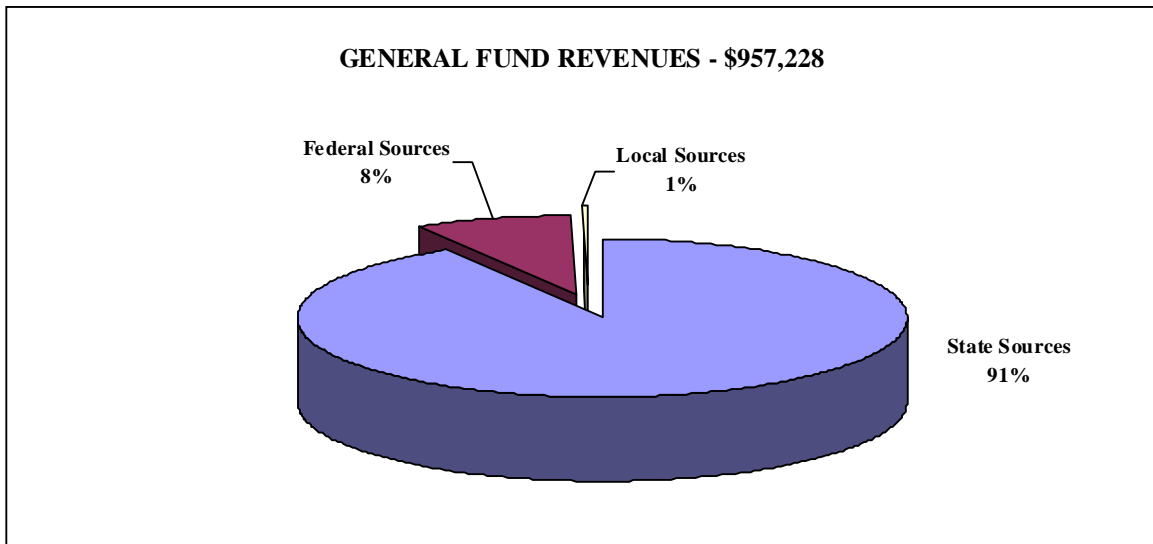
Revenues of the School's governmental funds totaled \$982,723 while total expenditures were \$925,678. A summary of the revenues and expenditures reported on the governmental fund financial statements are as follows:

	<u>Revenues</u>		<u>Expenditures</u>		<u>Fund</u>
	<u>Total</u>	<u>Total</u>	<u>Total</u>	<u>Total</u>	<u>Balance</u>
					<u>Increase</u>
					<u>(Decrease)</u>
General Fund	\$ 957,228	\$ 895,580	\$ 61,648		
Food Service Fund	25,495	30,098	(4,603)		
Totals	\$ 982,723	\$ 925,678	\$ 57,045		

VOYAGEURS EXPEDITIONARY HIGH SCHOOL
MINNESOTA CHARTER SCHOOL NO. 4107
BEMIDJI, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2011

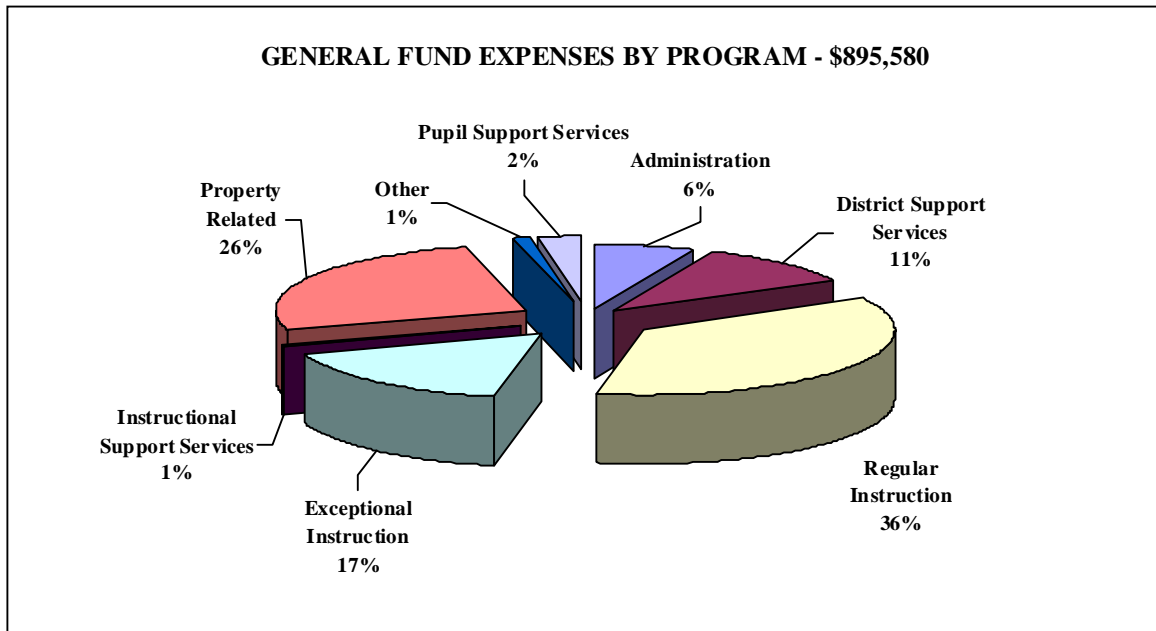
FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS
(FUND FINANCIAL STATEMENTS) (Continued)

The following graphs are presented for the general fund revenues and expenditures:



VOYAGEURS EXPEDITIONARY HIGH SCHOOL
MINNESOTA CHARTER SCHOOL NO. 4107
BEMIDJI, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2011

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS
(FUND FINANCIAL STATEMENTS) (Continued)



General Fund Budgetary Highlights

During the year ended June 30, 2011, the School did not make revisions to its general fund operating budget. Although the School's general fund budget anticipated that expenditures would exceed revenues and other financing sources by \$20,188, the actual results for the year reported revenues and other financing sources over expenditures in the amount of \$61,648. There were no significant variances in expenditures between budget and actual for the year ended June 30, 2011.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Voyageurs Expeditionary High School has maintained a capital asset inventory since inception. Additions during the year ended June 30, 2011 totaled \$70,773. Additions consisted primarily of equipment and leasehold improvements associated with the new facility. There were no disposals during the year ended June 30, 2011. The depreciation expense for the year was \$11,796.

Short-Term Indebtedness

As of June 30, 2011 the School had entered into a line of credit agreement with RiverWood Bank of Bemidji, Minnesota. At June 30, 2011 the outstanding balance was \$ -0-.

VOYAGEURS EXPEDITIONARY HIGH SCHOOL
MINNESOTA CHARTER SCHOOL NO. 4107
BEMIDJI, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2011

CAPITAL ASSETS AND DEBT ADMINISTRATION (Continued)

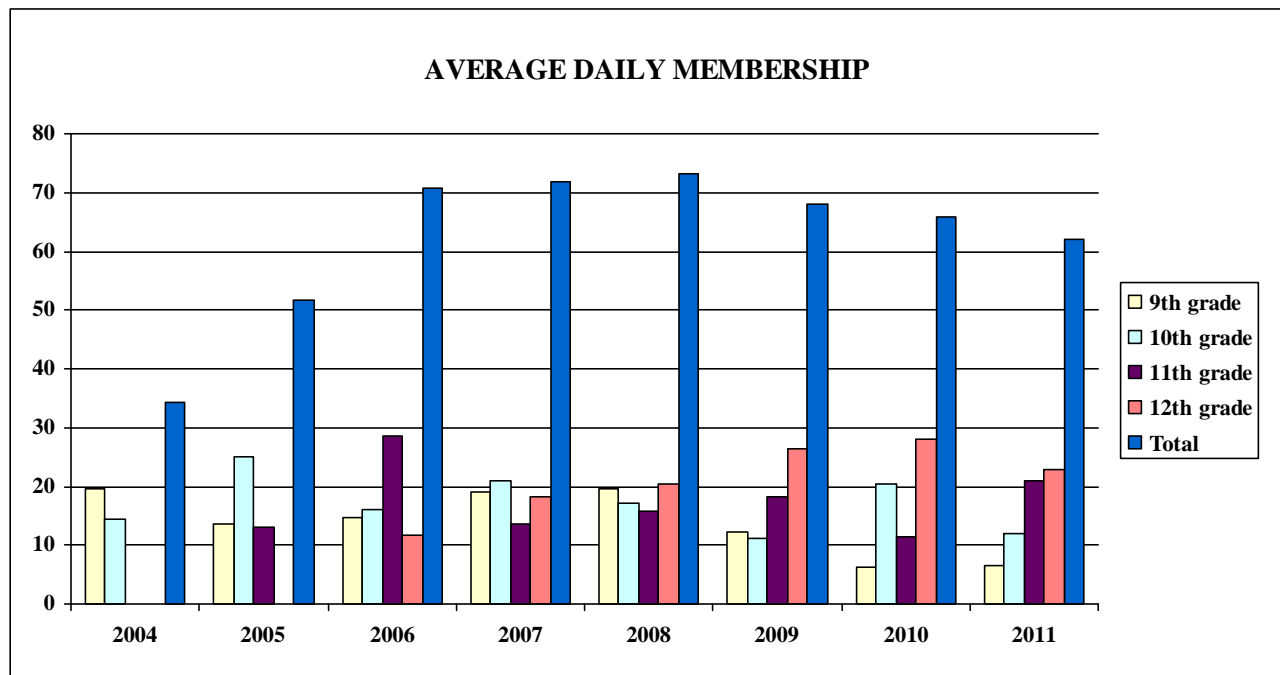
Operating Lease and Long-Term Commitments

During the 2010 school year, the School entered into a five year lease agreement with JC Properties of Bemidji, LLC for facilities located at 3724 Bemidji Avenue North in Bemidji, Minnesota. For the year ended June 30, 2011 lease payments totaled \$164,057.

FACTORS BEARING ON THE SCHOOL'S FUTURE

Student Enrollment

All Minnesota school districts including charter schools receive general education aid based upon Average Daily Membership (ADM). The following chart shows the School's ADM for each year since the initial year ended June 30, 2004.



Political Environment

The political environment at the State level will have a significant effect on future finances. The state legislature sets the amount of revenue from aids and levies that Minnesota school districts will receive. Currently the general education basic allowance, from which the School receives the single largest state aid, is set at \$5,124 per pupil unit and will increase to \$5,174 in fiscal year 2012.

VOYAGEURS EXPEDITIONARY HIGH SCHOOL
MINNESOTA CHARTER SCHOOL NO. 4107
BEMIDJI, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2011

FACTORS BEARING ON THE SCHOOL'S FUTURE (Continued)

Labor Force

Voyagers Expeditionary High School negotiates contracts on an annual basis. Salaries and benefits accounted for 56% of the School's general fund expenditures for fiscal year 2011.

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide the School's citizens, customers, and creditors with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. If you have any questions about this report or would like additional information, contact Rita Poulton, Business Manager, at the School's office at 3724 Bemidji Avenue North, Bemidji, Minnesota 56601.

VOYAGEURS EXPEDITIONARY HIGH SCHOOL
MINNESOTA CHARTER SCHOOL NO. 4107
BEMIDJI, MINNESOTA
STATEMENT OF NET ASSETS
JUNE 30, 2011

ASSETS

Cash and Cash Equivalents	\$ 15,837
Due from Other Governmental Units	202,026
Other Accounts Receivable	8
Prepaid Expenditures	14,279
Capital Assets	
Equipment	\$ 156,972
Less Accumulated Depreciation	<u>(79,981)</u>
	<u>76,991</u>
 Total Assets	 <u>309,141</u>

LIABILITIES

Salaries Payable	21,005
Accounts Payable	1,910
Payroll Deductions and Employer Contributions	<u>10,447</u>
 Total Liabilities	 <u>33,362</u>

NET ASSETS

Net Invested in Capital Assets	76,991
Restricted	1,422
Unrestricted	<u>197,366</u>
 Total Net Assets	 <u><u>\$ 275,779</u></u>

See Accompanying Notes to Financial Statements.

VOYAGEURS EXPEDITIONARY HIGH SCHOOL
MINNESOTA CHARTER SCHOOL NO. 4107
BEMIDJI, MINNESOTA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Governmental Activities				
District and School Administration	\$ 58,571	\$ -	\$ -	\$ (58,571)
District Support Services	95,462	-	-	(95,462)
Regular Instruction	296,371	-	209,661	(86,710)
Exceptional Instruction	150,188	-	164,153	13,965
Instructional Support Services	3,982	-	-	(3,982)
Pupil Support Services	56,171	780	24,715	(30,676)
Site, Buildings and Equipment	196,725	-	94,645	(102,080)
Fiscal and Other Fixed Costs	9,231	-	-	(9,231)
Total Governmental Activities	\$ 866,701	\$ 780	\$ 493,174	(372,747)
<u>General Revenues:</u>				
				468,293
				17,018
				3,458
				488,769
				116,022
				159,757
				\$ 275,779

See Accompanying Notes to Financial Statements.

VOYAGEURS EXPEDITIONARY HIGH SCHOOL
MINNESOTA CHARTER SCHOOL NO. 4107
BEMIDJI, MINNESOTA
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2011

	<u>General</u>	<u>Food Service</u>	<u>Totals</u>
<u>ASSETS</u>			
Cash and Investments	\$ 14,423	\$ 1,414	\$ 15,837
Due from Other Governmental Units	202,026	-	202,026
Other Accounts Receivable	-	8	8
Prepaid Expenditures	14,279	-	14,279
<u>Total Assets</u>	<u>\$ 230,728</u>	<u>\$ 1,422</u>	<u>\$ 232,150</u>
 <u>LIABILITIES AND FUND EQUITY</u>			
<u>Liabilities</u>			
Salaries Payable	\$ 21,005	\$ -	\$ 21,005
Accounts Payable	1,910	-	1,910
Payroll Deductions and Employer Contributions	10,447	-	10,447
Total Liabilities	<u>33,362</u>	<u>-</u>	<u>33,362</u>
 <u>Fund Equity</u>			
Nonspendable for Prepaid Expenditures	14,279	-	14,279
Restricted Fund Balance for Food Service	-	1,422	1,422
Unassigned Fund Balance	183,087	-	183,087
Total Fund Equity	<u>197,366</u>	<u>1,422</u>	<u>198,788</u>
<u>Total Liabilities and Fund Equity</u>	<u>\$ 230,728</u>	<u>\$ 1,422</u>	<u>\$ 232,150</u>

See Accompanying Notes to Financial Statements.

VOYAGEURS EXPEDITIONARY HIGH SCHOOL
MINNESOTA CHARTER SCHOOL NO. 4107
BEMIDJI, MINNESOTA
RECONCILIATION OF THE BALANCE SHEET -
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
JUNE 30, 2011

Total Fund Balances - Governmental Funds **\$ 198,788**

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

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.

Cost	\$ 156,972	
Accumulated Depreciation	(79,981)	
Net Depreciated Value of Capital Assets	<u>76,991</u>	<u>76,991</u>

Total Net Assets - Governmental Activities **\$ 275,779**

VOYAGEURS EXPEDITIONARY HIGH SCHOOL
MINNESOTA CHARTER SCHOOL NO. 4107
BEMIDJI, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011

	<u>General Fund</u>	<u>Food Service</u>	<u>Totals</u>
<u>Revenues</u>			
Revenues from Local Sources	\$ 3,458	\$ -	\$ 3,458
Revenues from State Sources	873,532	1,307	874,839
Revenues from Federal Sources	80,238	23,408	103,646
Sales and Other Conversions of Assets	-	780	780
Total Revenues	957,228	25,495	982,723
<u>Expenditures</u>			
District and School Administration	56,404	-	56,404
District Support Services	95,462	-	95,462
Regular Instruction	322,516	-	322,516
Exceptional Instruction	149,700	-	149,700
Instructional Support Services	3,982	-	3,982
Pupil Support Services	25,832	30,098	55,930
Site, Buildings, and Equipment	232,453	-	232,453
Fiscal and Other Fixed Costs	9,231	-	9,231
Total Expenditures	895,580	30,098	925,678
<u>Excess of Revenues Over (Under) Expenditures</u>	61,648	(4,603)	57,045
<u>Fund Balances, Beginning of Year</u>	135,718	6,025	141,743
<u>Fund Balances, End of Year</u>	\$ 197,366	\$ 1,422	\$ 198,788

See Accompanying Notes to Financial Statements.

VOYAGEURS EXPEDITIONARY HIGH SCHOOL
MINNESOTA CHARTER SCHOOL NO. 4107
BEMIDJI, MINNESOTA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011

Net Change in Fund Balances - Total Governmental Funds \$ 57,045

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

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital Outlay	\$ 70,773	
Depreciation	(11,796)	
		58,977
Excess Capital Outlay Over Depreciation Expense		

Change in Net Assets of Government Activities \$ 116,022

VOYAGEURS EXPEDITIONARY HIGH SCHOOL
MINNESOTA CHARTER SCHOOL NO. 4107
BEMIDJI, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

NOTE 1 – Summary of Significant Accounting Policies

The financial statements of Voyageurs Expeditionary High School, Minnesota Charter School No. 4107 (School) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The GASB has issued codification of governmental accounting and financial reporting standards dated June 30, 2011. This codification and subsequent GASB pronouncements are recognized as accounting principles generally accepted in the United States of America for state and local government.

A. Organization

Voyageurs Expeditionary High School is organized for the specific purpose of establishing and operating a results-oriented Charter School pursuant to Minnesota Statutes Chapter 124D.10, (1997 as amended). On April 15, 2003, the Audubon Center of the North Woods, Sandstone, Minnesota, was approved as sponsor for the Voyageurs Expeditionary High School in Bemidji, Minnesota. On June 23, 2003 the Commissioner of Education, declared Voyageurs Expeditionary High School as charter district No. 4107, effective July 1, 2003. The School and Audubon Center of the North Woods, Sandstone, Minnesota, have signed an authorization agreement through June 30, 2014.

Voyageurs Expeditionary High School was organized on January 27, 2003, as a non-profit corporation under Minnesota Statutes, Chapter 317A and on September 4, 2003 was determined to be tax exempt under Internal Revenue Code 501(c)(3).

B. Reporting Entity

The School (primary government) through its contract with its sponsor, the Audubon Center of the North Woods, has the financial accountability and control over all activities related to education of students attending the School. It does not have the same authority as public schools in Minnesota because it does not have authority to levy taxes and is limited to the number of students it may enroll. However, by the Contract, the management, care, and control of the School are vested in a Board of Directors, known as the Board of Education (Board). The School receives funding from state, and federal government sources and must comply with the concomitant requirements of these funding source entities. The School is not included in any other organization's "reporting entity" as defined by GASB Statement 14 since Board members are to be elected by the teachers, parents and students and have decision making authority, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.

Student activities are determined primarily by student participants under the guidance of an adult and are generally conducted outside of school hours. The School Board does have a fiduciary responsibility in establishing broad policies and ensuring that appropriate financial records are maintained for student activities. However, in accordance with Minnesota Statutes, the School Board has elected to control and exercise oversight responsibility with respect to the underlying student activities. Accordingly, the student activity accounts are included in these financial statements.

VOYAGEURS EXPEDITIONARY HIGH SCHOOL
MINNESOTA CHARTER SCHOOL NO. 4107
BEMIDJI, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

NOTE 1 – Summary of Significant Accounting Policies – Continued

C. Financial Statement Presentation

The school-wide financial statements (i.e. the Statement of Net Assets and the Statement of Activities) display information about the reporting entity as a whole. These statements include all the financial activities of the School.

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. The School does not allocate indirect expenses. Program revenues, include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or capital requirements of a particular function or segment. Operating grants include operating-specific and discretionary grants while capital grants include only capital-specific grants. Other items not properly included among program revenues are reported instead as general revenues.

The School applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. Depreciation expense that can be specifically identified by function is included in the direct expenses of each function.

Except for operating transfers between funds, as a general rule the School does not engage in inter-fund activities. However, in the School-wide financial statements operating transfers between funds are eliminated.

Separate fund financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the School-wide financial statements. All individual governmental funds are reported in separate columns in the fund financial statements.

Proprietary funds are used to report business-type activities carried on by a school district. No activities of the School were determined to be of this nature, so no proprietary funds are present in the financial statements.

D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. The School-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing or related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. The modified accrual basis of accounting recognizes expenses when incurred, except principal and interest on general long-term debt which is recognized when due, and revenue under the following principle:

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MINNESOTA CHARTER SCHOOL NO. 4107
BEMIDJI, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

NOTE 1 – Summary of Significant Accounting Policies – Continued

- State and Federal grants and aids are recorded as revenue in the fiscal year for which the aids are designated by statute.

Other 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.

Description of Funds

The existence of the various School funds has been established by the Minnesota Department of Education, and is accounted for as an independent entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures.

GASB Statement No. 34 specifies that the accounts and activities of each of the School’s most significant governmental funds (termed “major funds”) be reported in separate columns on the fund financial statements. Other non-major funds can be reported in total. Although only the general fund is a major fund by definition, the School has elected to present all funds in separate columns.

A description of the major funds in this report is as follows:

Governmental Funds

General Fund – Accounts for all financial resources and transactions relating to the administration, instruction, pupil transportation, and maintenance of the School, which are not accounted for in other school funds.

Food Service Special Revenue Fund – Accounts for all activities associated with the preparation and serving of regular and incidental meals, lunches or snacks in connection with school activities.

E. Assets, Liabilities, Net Assets and Fund Balances

Cash and Investments – Cash balances for all funds are maintained on a combined basis and invested, to the extent possible, in allowable investments. Pooled and fund investments are reported at their fair value at June 30, 2011, based on market prices.

VOYAGEURS EXPEDITIONARY HIGH SCHOOL
MINNESOTA CHARTER SCHOOL NO. 4107
BEMIDJI, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

NOTE 1 – Summary of Significant Accounting Policies – Continued

Due From Other Governmental Units – Amounts due from other governmental units consist of amounts primarily due from the other Minnesota school districts, the Minnesota Department of Education and from the Federal Government through the Minnesota Department of Education for state and federal aids and grants under various specific programs are reported at estimated amounts based on available information at the date of the report. Adjustments and prorations may be made by the applicable agencies based on the amount of funds available for distribution and may result in differing amounts actually being received. The differences between the receivable recorded and the actual amount received will be recognized as a revenue adjustment in the subsequent year. Federal and state revenues are recorded as revenue at the time of receipt or when they are both measurable and available.

Prepaid Items – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. Prepaid items are recorded as expenditures at the time of consumption.

Capital Assets – Capital assets are capitalized at historical cost. Donated assets are recorded as capital assets at estimated fair market value at the date of donation. The School maintains a threshold level of \$500 or more for capitalizing capital assets.

Capital assets are recorded in the School-wide financial statements, but are not reported in the Fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purpose by the School, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 20 to 50 years for land improvements and buildings, and 5 to 15 years for equipment.

Capital assets not being depreciated include land and construction in progress, if any.

Net Assets – Net assets represent the difference between assets and liabilities in the School-wide financial statements. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net assets are reported as restricted in the School-wide financial statements when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Fund Equity –As of June 30, 2011, the School implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- **Nonspendable fund balance**—amounts that are not in nonspendable form (such as inventory or prepaid items) or are required to be maintained intact.

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BEMIDJI, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

NOTE 1 – Summary of Significant Accounting Policies – Continued

- **Restricted fund balance**—amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- **Unassigned fund balance**—amounts that are available for any purpose. Positive amounts are reported only in the general fund.

Beginning fund balances for the School’s governmental funds have been restated to reflect the above classifications.

Restricted funds are used first when an expense is incurred for purposes for which both restricted and unrestricted funds are available.

In the general fund, the School strives to maintain an unassigned fund balance to be used for unanticipated emergencies of approximately 30% of the actual GAAP basis expenditures and other financing sources and uses.

F. Compensated Absences

Employees are allowed eight days of paid leave per year, and administrative employees are allowed twelve days of personal time-off per year. Employees are paid for the amount of leave days remaining at year-end. All employees received payment for unused leave before June 30, 2011.

G. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

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MINNESOTA CHARTER SCHOOL NO. 4107
BEMIDJI, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

NOTE 2 – Deposits and Investments

A. Deposits

Authority – In accordance with Minnesota Statutes, the School maintains deposits at those depository banks authorized by the Board. All such depositories are members of the Federal Reserve System. Minnesota Statutes require that all School deposits be protected by insurance, surety bond or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or bonds. Authorized collateral includes treasury bills, notes and bonds; issues of U.S. Government agencies; general obligations rated “A” or better, revenue obligations rated “AA” or better; irrevocable standard letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota Statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution not owned or controlled by the financial institution furnishing the collateral.

Custodial Credit Risk – The custodial credit risk for deposits is the risk that in the event of a bank failure, the School’s deposits may not be recovered. The School’s policy for custodial credit risk is to maintain compliance with Minnesota statutes that require all the School’s deposits to be protected by insurance, surety bond, or pledged collateral. The School has no custodial credit risk at June 30, 2011.

B. Investments

Authority - Minnesota Statutes authorize the School to invest in the following types of investments:

1. securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of congress, except mortgage-backed securities defined as “high risk” by Minnesota Statutes;
2. mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;
3. general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;
4. bankers’ acceptances of United States banks;
5. commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and maturities in 270 days or less; and
6. with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

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MINNESOTA CHARTER SCHOOL NO. 4107
BEMIDJI, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

NOTE 2 – Deposit and Investments – Continued

The School has not adopted a formal investment policy. At June 30, 2011, the School had no investments.

NOTE 3 – Due From Other Governmental Units

Amounts due from other governmental units at June 30, 2011 are as follows:

	<u>General Fund</u>
Minnesota Department of Education:	
State Aids and Grants	\$ 200,636
Federal Aids and Grants	1,390
Total	<u><u>\$ 202,026</u></u>

NOTE 4 – Capital Assets

Capital asset activity for the year ended June 30, 2011 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Sales and Retirements</u>	<u>Ending Balance</u>
Equipment	\$ 86,199	\$ 30,853	\$ -	\$ 117,052
Leasehold Improvements	-	39,920	-	39,920
Total Capital Assets	<u>86,199</u>	<u>70,773</u>	<u>-</u>	<u>156,972</u>
Accumulated Depreciation	<u>(68,185)</u>	<u>(11,796)</u>	<u>-</u>	<u>(79,981)</u>
Capital Assets, Net of Depreciation	<u><u>\$ 18,014</u></u>	<u><u>\$ 58,977</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 76,991</u></u>

Depreciation expense was charged to the following program services:

Administration	\$ 2,167
Regular Instruction	4,708
Exceptional Instruction	488
Pupil Support Services	241
Operations	4,192
Total Depreciation Expense	<u><u>\$ 11,796</u></u>

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MINNESOTA CHARTER SCHOOL NO. 4107
BEMIDJI, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

NOTE 5 – Pension Plans

A. Teachers Retirement Association

Plan Description

All teachers employed by the School are covered by defined benefit plans administered by the Teachers Retirement Association (TRA). TRA members belong to either the Coordinated or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan. The Plans are established and administered in accordance with Minnesota Statutes, Chapters 354 and 356.

TRA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by Minnesota Statute, and vest after three years of service credit. The defined retirement benefits are based on a member's highest average salary for any five consecutive years of allowable service, age, and years of credit at termination of service.

Two methods are used to compute benefits for TRA's Coordinated and Basic Plan members. Members first employed before July 1, 1989 receive the greater of the Tier I or Tier II as described:

Tier I:

<u>Step Rate Formula</u>	<u>Coordinated</u>	<u>Basic</u>
1st ten years prior to July 1, 2006	1.2 percent per year	2.2 percent per year
1st ten years on or after July 1, 2006	1.4 percent per year	2.2 percent per year
All other years prior to July 1, 2006	1.7 percent per year	2.7 percent per year
All other years on or after July 1, 2006	1.9 percent per year	2.7 percent per year

With these provisions:

- a) Normal retirement age is 65 with less than 30 years of allowable service and age 62 with 30 or more years of allowable service.
- b) 3 percent per year early retirement reduction factors for all years under normal retirement age.
- c) Unreduced benefits for early retirement under a Rule-of-90 (age plus allowable service equals 90 or more).

Tier II:

For years of service prior to July 1, 2006, a level formula of 1.7 percent per year for coordinated members and 2.7 percent per year for basic members. For years of service July 1, 2006 and after, a level formula of 1.9 percent per year for Coordinated members and 2.7 for Basic members applies. Actuarially equivalent early retirement reduction factors with augmentation are used for early retirement before the normal age of 65. These reduction factors average approximately 4 to 5.5 percent per year.

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NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

NOTE 5 – Pension Plans - Continued

Members first employed after June 30, 1989 receive only the Tier II calculation with a normal retirement age that is their retirement age for full Social Security retirement benefits, but not to exceed age 66.

Six different types of annuities are available to members upon retirement. The No Refund Life Plan (A-1) is a lifetime annuity that ceases upon death of the retiree - no survivor annuity is payable. A retiring member may also choose to provide survivor benefits to a designated beneficiary(ies) by selecting one of the five plans which have survivorship features. Vested members may also leave their contributions in the TRA Fund upon termination of service in order to qualify for a deferred annuity at retirement age. Any member terminating service is also eligible for a refund of their employee contributions plus interest.

The benefit provisions stated apply to active plan participants. Vested, terminated employees who are entitled to benefits but not yet receiving them are bound by the provisions in effect at the time they last terminated their public service.

TRA publicly issues a Comprehensive Annual Financial Report (CAFR) presenting financial statements, supplemental information on funding levels, investment performance, and further information on benefit provisions. The report may be accessed at the TRA website www.tra.state.mn.us. Alternatively, a copy of the report may be obtained by writing or calling TRA:

Teachers Retirement Association
 60 Empire Drive Suite 400
 St Paul MN 55103-1855
 651-296-6449
 800-657-3853

Funding Policy

Minnesota Statutes Chapter 354 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. Coordinated and Basic Plan members are required to contribute 5.5 percent and 9.0 percent, respectively, of their annual covered salary as employee contributions. The TRA employer contribution rates are 5.5 percent for coordinated members and 9.5 percent for basic members. Total covered payroll salaries for all TRA members statewide during the fiscal year ended June 30, 2010 was approximately \$3.79 billion.

The School's contributions for the years ending June 30, 2011, 2010, and 2009 were \$15,542, \$19,560, and \$24,423, respectively, equal to the required contributions for each year as set by state statute.

The 2010 Legislature approved employee and employer contribution rate increases to be phased-in over a four-year period beginning July 1, 2011. Employee and employer contribution rates will rise 0.5 percent each year of the four-year period. Beginning July 1, 2014, TRA Coordinated employee and employer contribution rates will each be 7.5 percent.

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BEMIDJI, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

NOTE 5 – Pension Plans - Continued

B. Public Employees Retirement Association

Plan Description

All full-time and certain part-time non-certified teacher employees of the School are covered by defined benefit plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund (GERF) that is a cost-sharing, multiple-employer retirement plan. The plan is established and administered in accordance with Minnesota Statutes, Chapters 353 and 356.

GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan.

PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by state statute, and vest after three years of credited service. The defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first 10 years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first 10 years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For GERF members hired prior to July 1, 1989, whose annuity is calculated using

Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 65 for Basic and Coordinated members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at age 66 for Coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

There are different types of annuities available to members upon retirement. A single-life annuity is a lifetime annuity that ceases upon the death of the retiree - no survivor annuity is payable. There are also various types of joint and survivor annuity options available which will be payable over joint lives. Members may also leave their contributions in the fund upon termination of public service in order to qualify for a deferred annuity at retirement age. Refunds of contributions are available at any time to members who leave public service, but before retirement benefits begin.

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BEMIDJI, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

NOTE 5 – Pension Plans – Continued

The benefit provisions stated in the previous paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

PERA issues a publicly available financial report that includes financial statements and required supplementary information for GERP. That report may be obtained on the Internet at www.mnpera.org, by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota 55103-2088 or by calling (651) 296-7460 or 1-800-652-9026.

Funding Policy

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These contributions are established and amended by the state legislature. The School makes annual contributions to the pension plans equal to the amount required by state statutes. GERP Basic Plan members and Coordinated Plan members were required to contribute 9.10% and 6.0%, respectively, of their annual covered salary. The District is required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan members and 7.0% for Coordinated Plan members. The District's contributions to the Public Employees Retirement Fund for the years ending June 30, 2011, 2010, and 2009 were \$9,728, \$8,463, and \$6,676, respectively. The District's contributions were equal to the contractually required contributions for each year as set by State Statute.

NOTE 6 – Short-Term Indebtedness, Line of Credit

The School has a \$75,000 operating line of credit with RiverWood Bank of Bemidji, Minnesota. The line of credit is secured by all assets of the School and matured on August 17, 2011.

Line of credit activity for the year ended June 30, 2011 is as follows:

<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Payments and</u> <u>Retirements</u>	<u>Ending</u> <u>Balance</u>
\$ 51,888	\$ 6,500	\$ 58,388	\$ -

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NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

NOTE 7 – Operating Lease

In May of 2010, the School entered into a five year lease agreement with JC Properties of Bemidji, LLC for facilities located at 3724 Bemidji Avenue North in Bemidji, Minnesota, commencing on September 1, 2010. Actual lease expenditures for the JC Properties of Bemidji, LLC lease for the year ended June 30, 2011 were \$164,055. Remaining significant terms of the lease are as follows:

2011 - 2012 Fiscal Year	\$ 129,791
2012 – 2013 Fiscal Year	135,251
2013 - 2014 Fiscal Year	139,968
2014 - 2015 Fiscal Year	144,508

NOTE 8 - Risk Management

The School is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; and natural disaster. The School carries various commercial insurance policies covering workers compensation, personal property, commercial liability and automobile liability. There was no significant reduction in insurance from the previous year. The amount of settlements did not exceed insurance coverage for the past three fiscal years.

NOTE 9 - Commitments and Contingencies

The School participates in State and Federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the School has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2011 may be impaired. In the opinion of the School, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

NOTE 10 – Subsequent Event

The School has entered into an authorizer agreement with Audubon Center of the North Woods for the operation of a charter school. The term of the agreement is for three school operational years, fiscal year 2012 through fiscal year 2014.

VOYAGEURS EXPEDITIONARY HIGH SCHOOL
MINNESOTA CHARTER SCHOOL NO. 4107
BEMIDJI, MINNESOTA
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2011

	<u>Initial and Final Budgeted Amounts</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<u>Revenues</u>			
Local Revenues	\$ -	\$ 3,458	\$ 3,458
Revenues from State Sources	808,219	873,532	65,313
Revenues from Federal Sources	91,959	80,238	(11,721)
<u>Total Revenues</u>	<u>900,178</u>	<u>957,228</u>	<u>57,050</u>
<u>Expenditures</u>			
District and School Administration	56,554	56,404	150
District Support Services	94,485	95,462	(977)
Regular Instruction	338,917	322,516	16,401
Exceptional Instruction	150,896	149,700	1,196
Instructional Support Services	10,809	3,982	6,827
Pupil Support Services	25,864	25,832	32
Site, Buildings and Equipment	232,541	232,453	88
Fiscal and Other Fixed Costs	10,300	9,231	1,069
<u>Total Expenditures</u>	<u>920,366</u>	<u>895,580</u>	<u>24,786</u>
<u>Excess of Revenues Over (Under) Expenditures</u>	<u>(20,188)</u>	<u>61,648</u>	<u>81,836</u>
<u>Fund Balances, Beginning of Year</u>	<u>135,718</u>	<u>135,718</u>	<u>-</u>
<u>Fund Balances, End of Year</u>	<u>\$ 115,530</u>	<u>\$ 197,366</u>	<u>\$ 81,836</u>

See Accompanying Notes to the Required Supplementary Information.

VOYAGEURS EXPEDITIONARY HIGH SCHOOL
MINNESOTA CHARTER SCHOOL NO. 4107
BEMIDJI, MINNESOTA
FOOD SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2011

	Initial and Final Budgeted Amounts	Actual	Variance with Final Budget - Positive (Negative)
<u>Revenues</u>			
Revenues from State Sources	\$ 8,311	\$ 1,307	\$ (7,004)
Revenues from Federal Sources	23,408	23,408	-
Sales and Other Conversions of Assets	781	780	(1)
<u>Total Revenues</u>	<u>32,500</u>	<u>25,495</u>	<u>(7,005)</u>
<u>Expenditures</u>			
<u>Pupil Support Services</u>			
Salaries and Wages	13,305	12,098	1,207
Employee Benefits	5,530	1,914	3,616
Purchased Services	16,300	15,769	531
Supplies and Materials	365	317	48
<u>Total Expenditures</u>	<u>35,500</u>	<u>30,098</u>	<u>5,402</u>
<u>Excess of Revenues Over (Under) Expenditures</u>	<u>(3,000)</u>	<u>(4,603)</u>	<u>(1,603)</u>
<u>Fund Balance, Beginning of Year</u>	<u>6,025</u>	<u>6,025</u>	<u>-</u>
<u>Fund Balance, End of Year</u>	<u>\$ 3,025</u>	<u>\$ 1,422</u>	<u>\$ (1,603)</u>

See Accompanying Notes to the Required Supplementary Information.

VOYAGEURS EXPEDITIONARY HIGH SCHOOL
MINNESOTA CHARTER SCHOOL NO. 4107
BEMIDJI, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2011

NOTE 1 – Budgetary Data

Budgets are prepared for School funds on the same basis and using the same accounting practices as are used to account and prepare financial reports for the funds. Budgets presented in this report for comparison to actual amounts in accordance with accounting principles generally accepted in the United States of America. Formal budgetary integration is employed as a management control device during the year for the general fund and food service special revenue fund.

Legal Compliance – Budgets

- The Executive Director submits to the School Board a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them for all funds of the school. However, the General and Special Revenue Funds are the only funds that are legally adopted through the budgetary process.
- The budget is legally enacted through passage of a School Board resolution by July 1.
- The School Board may authorize transfer of budgeted amounts between funds.
- Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds.
- General and Special Revenue Funds expenditures may not legally exceed budgeted appropriations at the total fund level without School Board approval. Monitoring of budgets is maintained at the expenditure category level.

NOTE 2 – Expenditures in Excess of Budget

Expenditures did not exceed the budget for any funds for the fiscal year ended June 30, 2011.

FISCAL COMPLIANCE REPORT - 6/30/2011
 District: VOYAGEURS EXPEDITIONARY (4107-07)

	<u>Audit</u>	<u>UFARS</u>	<u>Audit-UFARS</u>		<u>Audit</u>	<u>UFARS</u>	<u>Audit-UFARS</u>
01 GENERAL FUND				06 BUILDING CONSTRUCTION			
Total Revenue	\$ 957,228	\$957,226	\$2	Total Revenue	\$0	\$0	\$0
Total Expenditures	\$ 895,580	\$895,578	\$2	Total Expenditures	\$0	\$0	\$0
Non Spendable:				Non Spendable			
4.60 Non Spendable Fund Balance	\$14,279	\$14,279	\$0	4.60 Non Spendable Fund Balance	\$0	\$0	\$0
Restricted/Reserve:				Restricted/Reserve:			
4.03 Staff Development	\$0	\$0	\$0	4.07 Capital Projects Levy	\$0	\$0	\$0
4.05 Deferred Maintenance	\$0	\$0	\$0	4.09 Alternative Facility Program	\$0	\$0	\$0
4.06 Health and Safety	\$0	\$0	\$0	4.13 Projects Funded by COP	\$0	\$0	\$0
4.07 Capital Projects Levy	\$0	\$0	\$0	Restricted:			
4.08 Cooperative Revenue	\$0	\$0	\$0	4.64 Restricted Fund Balance	\$0	\$0	\$0
4.11 Severance Pay	\$0	\$0	\$0	Unassigned:			
4.13 Project Funded by COP	\$0	\$0	\$0	4.63 Unassigned Fund Balance	\$0	\$0	\$0
4.14 Operating Debt	\$0	\$0	\$0	07 DEBT SERVICE			
4.16 Levy Reduction	\$0	\$0	\$0	Total Revenue	\$0	\$0	\$0
4.17 Taconite Building Maint	\$0	\$0	\$0	Total Expenditures	\$0	\$0	\$0
4.23 Certain Teacher Programs	\$0	\$0	\$0	Non Spendable			
4.24 Operating Capital	\$0	\$0	\$0	4.60 Non Spendable Fund Balance	\$0	\$0	\$0
4.26 \$25 Taconite	\$0	\$0	\$0	Restricted/Reserve:			
4.27 Disabled Accessibility	\$0	\$0	\$0	4.25 Bond Refundings	\$0	\$0	\$0
4.28 Learning & Development	\$0	\$0	\$0	4.51 QZAB Payments	\$0	\$0	\$0
4.34 Area Learning Center	\$0	\$0	\$0	Restricted:			
4.35 Contracted Alt. Programs	\$0	\$0	\$0	4.64 Restricted Fund Balance	\$0	\$0	\$0
4.36 State Approved Alt. Program	\$0	\$0	\$0	Unassigned:			
4.38 Gifted & Talented	\$0	\$0	\$0	4.63 Unassigned Fund Balance	\$0	\$0	\$0
4.41 Basic Skills Program	\$0	\$0	\$0	08 TRUST			
4.45 Career Tech Programs	\$0	\$0	\$0	Total Revenue	\$0	\$0	\$0
4.46 First Grade Preparedness	\$0	\$0	\$0	Total Expenditures	\$0	\$0	\$0
4.49 Safe School Crime	\$0	\$0	\$0	4.22 Net Assets	\$0	\$0	\$0
4.50 Pre-Kindergarten	\$0	\$0	\$0	20 INTERNAL SERVICE			
4.51 QZAB Payments	\$0	\$0	\$0	Total Revenue	\$0	\$0	\$0
4.52 OPEB Liab Not In Trust	\$0	\$0	\$0	Total Expenditures	\$0	\$0	\$0
4.53 Unfunded Sev & Retirement Levy	\$0	\$0	\$0	4.22 Net Assets	\$0	\$0	\$0
Restricted:				25 OPEB REVOCABLE TRUST			
4.64 Restricted Fund Balance	\$0	\$0	\$0	Total Revenue	\$0	\$0	\$0
Committed:				Total Expenditures			
4.18 Committed for Separation	\$0	\$0	\$0	4.22 Net Assets	\$0	\$0	\$0
4.61 Committed Fund Balance	\$0	\$0	\$0	45 OPEB IRREVOCABLE TRUST			
Assigned:				Total Revenue			
4.62 Assigned Fund Balance	\$0	\$0	\$0	Total Expenditures	\$0	\$0	\$0
Unassigned:				4.22 Net Assets			
4.22 Unassigned Fund Balance	\$183,087	\$183,087	\$0	Total Revenue	\$0	\$0	\$0
02 FOOD SERVICE				Total Expenditures			
Total Revenue	\$25,495	\$25,496	(\$1)	4.22 Net Assets	\$0	\$0	\$0
Total Expenditures	\$30,098	\$30,099	(\$1)	47 OPEB DEBT SERVICE			
Non Spendable:				Total Revenue			
4.60 Non Spendable Fund Balance	\$0	\$0	\$0	Total Expenditures	\$0	\$0	\$0
Restricted:				Non Spendable:			
4.52 OPEB Liab Not In Trust	\$0	\$0	\$0	4.60 Non Spendable Fund Balance	\$0	\$0	\$0
4.64 Restricted Fund Balance	\$1,422	\$1,422	\$0	Restricted:			
Unassigned:				4.25 Bond Refundings			
4.63 Unassigned Fund Balance	\$0	\$0	\$0	4.64 Restricted Fund Balance	\$0	\$0	\$0
04 COMMUNITY SERVICE				Unassigned:			
Total Revenue	\$0	\$0	\$0	4.63 Unassigned Fund Balance	\$0	\$0	\$0
Total Expenditures	\$0	\$0	\$0	48 OPEB DEBT SERVICE			
Restricted/Reserve:				Total Revenue			
4.26 \$25 Taconite	\$0	\$0	\$0	Total Expenditures	\$0	\$0	\$0
4.31 Community Education	\$0	\$0	\$0	Non Spendable:			
4.32 E.C.F.E.	\$0	\$0	\$0	4.60 Non Spendable Fund Balance	\$0	\$0	\$0
4.44 School Readiness	\$0	\$0	\$0	Restricted:			
4.47 Adult Basic Education	\$0	\$0	\$0	4.25 Bond Refundings	\$0	\$0	\$0
4.52 OPEB Liab Not In Trust	\$0	\$0	\$0	4.64 Restricted Fund Balance	\$0	\$0	\$0
Restricted:				Unassigned:			
4.64 Restricted Fund Balance	\$0	\$0	\$0	4.63 Unassigned Fund Balance	\$0	\$0	\$0
Unassigned:							
4.63 Unassigned Fund Balance	\$0	\$0	\$0				



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**REPORT ON COMPLIANCE BASED ON AN AUDIT OF THE
 FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
 WITH THE *MINNESOTA LEGAL COMPLIANCE AUDIT GUIDE*
 FOR LOCAL GOVERNMENT**

**The Board of Education
 Voyageurs Expeditionary High School
 Minnesota Charter School No. 4107
 Bemidji, Minnesota**

We have audited the accompanying financial statements of the governmental activities and each major fund of Voyageurs Expeditionary High School, Minnesota Charter School No. 4107, as of and for the year ended June 30, 2011, which collectively comprise Voyageurs Expeditionary High School, Minnesota Charter School No. 4107's basic financial statements and have issued our report thereon dated October 24, 2011.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the provisions of the *Minnesota Legal Compliance Audit Guide for Local Government*, promulgated by the State Auditor pursuant to Minnesota Statutes 6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The *Minnesota Legal Compliance Audit Guide for Local Government* covers two categories of compliance to be tested in audits of charter schools: uniform financial accounting and reporting standards, and charter schools. Our study included the listed categories.

The results of our test indicate that for the items tested Voyageurs Expeditionary High School, Minnesota Charter School No. 4107, complied with the material terms and conditions of applicable legal provisions.

This report is intended solely for the information and use of the School Board, management of the School, Minnesota Department of Education, and the Office of the Minnesota State Auditor and is not intended to be and should not be used by anyone other than these specified parties.

Miller McDonald, Inc.

October 24, 2011
 Bemidji, Minnesota



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

**The Board of Education
 Voyageurs Expeditionary High School
 Minnesota Charter School No. 4107
 Bemidji, Minnesota**

We have audited the accompanying financial statements of the governmental activities and each major fund of Voyageurs Expeditionary High School, Minnesota Charter School No. 4107 as of and for the year ended June 30, 2011, which collectively comprise Voyageurs Expeditionary High School, Minnesota Charter School No. 4107's basic financial statements and have issued our report thereon dated October 24, 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 Voyageurs Expeditionary High School, Minnesota Charter School No. 4107's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Voyageurs Expeditionary High School, Minnesota Charter School No. 4107's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Voyageurs Expeditionary High School, Minnesota Charter School No. 4107'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 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 the 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 Voyageurs Expeditionary High School, Minnesota Charter School No. 4107's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the School Board, others within the School, 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.

Miller McDonald, Inc.

October 24, 2011
Bemidji, Minnesota