

**THE ACADEMY**

**FINANCIAL STATEMENTS**

**Year Ended June 30, 2010**

**THE ACADEMY**

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**FINANCIAL SECTION**

## Independent Auditor's Report

Board of Directors  
The Academy

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of The Academy (the School) as of and for the year ended June 30, 2010, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School as of June 30, 2010 and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2010 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the budgetary information listed as required supplemental information in the table of contents be presented to supplement the basic financial statements. Such information, although not required to be 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, and 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 responses 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.

Management has omitted the management's discussion and analysis information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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, and historical context. Our opinion on the basic financial statements is not affected by this missing information.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School's financial statements as a whole. The accompanying combining fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other 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.

***Folke CPAs, P.C.***

September 10, 2010

## **BASIC FINANCIAL STATEMENTS**

**THE ACADEMY**  
Statement of Net Assets  
June 30, 2010

	<b><u>Governmental Activities</u></b>
<b>Assets</b>	
Current Assets	
Cash	\$291,927
Receivables:	
Local Sources	0
State Sources	28,579
Federal Sources	156,317
Total Current Assets	<u>476,823</u>
Noncurrent Assets	
Nondepreciable Capital Assets	0
Depreciable Net Capital Assets	25,834
Total Noncurrent Assets	<u>25,834</u>
<b>Total Assets</b>	<b><u><u>\$502,657</u></u></b>
 <b>Liabilities</b>	
Current Liabilities	
Accounts Payable	\$0
Salaries & Benefits Payable	81,505
Deferred Revenue	129,013
Total Current Liabilities	<u>210,518</u>
<b>Total Liabilities</b>	<b><u>210,518</u></b>
 <b>Net Assets</b>	
Invested in Capital Assets	25,834
Restricted:	
Special Programs	4,849
Capital Projects	235,116
Unrestricted	26,340
<b>Total Net Assets</b>	<u>292,139</u>
<b>Total Liabilities and Net Assets</b>	<b><u><u>\$502,657</u></u></b>

**THE ACADEMY**  
Statement of Activities  
Year Ended June 30, 2010

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u>
		<u>Charges For</u>	<u>Operating</u>	<u>Capital</u>	<u>Revenue And</u>
		<u>Services</u>	<u>Grants And</u>	<u>Grants And</u>	<u>Changes in</u>
			<u>Contributions</u>	<u>Contributions</u>	<u>Net Assets</u>
					<u>Governmental</u>
					<u>Activities</u>
<b>Governmental Activities</b>					
Instructional Programs					
Elementary School	\$779,243		\$121,304		(\$657,939)
Secondary School	137,751				(137,751)
Exceptional Child	117,446		56,694		(60,752)
Gifted & Talented	0				0
School Activity	1,330				(1,330)
Support Service Programs					
Instructional Improvement	1,548				(1,548)
Educational Media	10,375				(10,375)
Instruction-Related Technology	7,876		7,876		0
Board of Education	10,761				(10,761)
District Administration	319,965				(319,965)
Buildings - Care	219,451				(219,451)
Maintenance - Student Occupied	10,712				(10,712)
Maintenance - Grounds	3,191				(3,191)
Pupil-To-School Transportation	288				(288)
Non-Instructional Programs					
Child Nutrition	17,601				(17,601)
Capital Assets - Student Occupied	8,810				(8,810)
Capital Assets - Non-Student Occupied	0				0
<b>Total</b>	<u>\$1,646,348</u>	<u>\$0</u>	<u>\$185,874</u>	<u>\$0</u>	<u>(1,460,474)</u>
<b>General Revenues</b>					
Local Revenue					45,813
State Revenue					1,250,581
Federal Revenue					177,124
<b>Total</b>					<u>1,473,518</u>
<b>Change in Net Assets</b>					
					13,044
<b>Net Assets - Beginning</b>					
					279,095
<b>Net Assets - Ending</b>					
					<u>\$292,139</u>



**THE ACADEMY**  
 Balance Sheet - Governmental Funds  
 June 30, 2010

	<u>General Fund</u>	<u>Title I-A ESEA IBP</u>	<u>Capital Construction Fund</u>	<u>Plant Facilities Fund</u>
<b>Assets</b>				
Cash	\$51,962		\$218,380	\$16,736
Receivables:				
Local Sources				
State Sources	28,579			
Federal Sources		\$88,138		
Due From Other Funds	19,618			
<b>Total Assets</b>	<u>\$100,159</u>	<u>\$88,138</u>	<u>\$218,380</u>	<u>\$16,736</u>
<b>Liabilities</b>				
Accounts Payable				
Due To Other Funds		\$19,618		
Salaries & Benefits Payable	\$73,819	7,686		
Deferred Revenue		60,834		
<b>Total Liabilities</b>	<u>73,819</u>	<u>88,138</u>	<u>\$0</u>	<u>\$0</u>
<b>Fund Balances</b>				
Restricted:				
Special Programs				
Capital Projects			218,380	16,736
Nonspendable				
Unassigned	26,340			
<b>Total Fund Balances</b>	<u>26,340</u>	<u>0</u>	<u>218,380</u>	<u>16,736</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$100,159</u>	<u>\$88,138</u>	<u>\$218,380</u>	<u>\$16,736</u>

**THE ACADEMY**  
 Balance Sheet - Governmental Funds  
 June 30, 2010

	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets</b>		
Cash	\$4,849	\$291,927
Receivables:		
Local Sources	0	0
State Sources	0	28,579
Federal Sources	68,179	156,317
Due From Other Funds	0	19,618
<b>Total Assets</b>	<b>\$73,028</b>	<b>\$496,441</b>
<b>Liabilities</b>		
Accounts Payable	\$0	\$0
Due To Other Funds	0	19,618
Salaries & Benefits Payable	0	81,505
Deferred Revenue	68,179	129,013
<b>Total Liabilities</b>	<b>68,179</b>	<b>230,136</b>
<b>Fund Balances</b>		
Restricted:		
Special Programs	4,849	4,849
Capital Projects	0	235,116
Nonspendable	0	0
Unassigned	0	26,340
<b>Total Fund Balances</b>	<b>4,849</b>	<b>266,305</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$73,028</b>	<b>\$496,441</b>

**THE ACADEMY**  
Balance Sheet - Governmental Funds  
June 30, 2010

**Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities**

<b>Total Governmental Fund Balances</b>	\$266,305
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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 in the funds.	25,834
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<b>Net Assets of Governmental Activities</b>	<u><u>\$292,139</u></u>
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**THE ACADEMY**  
Statement of Revenues, Expenditures, and Changes in Fund Balances -  
Governmental Funds  
Year Ended June 30, 2010

	<b>General Fund</b>	<b>Title I-A ESEA IBP</b>	<b>Capital Construction Fund</b>	<b>Plant Facilities Fund</b>
<b>Revenues</b>				
Local Revenue	\$40,769		\$5,044	
State Revenue	1,233,846			\$16,736
Federal Revenue	177,124	\$121,304		
<b>Total Revenues</b>	<u>1,451,739</u>	<u>121,304</u>	<u>5,044</u>	<u>16,736</u>
<b>Expenditures</b>				
Instructional Programs				
Elementary School	657,939	121,304		
Secondary School	137,751			
Exceptional Child	60,752			
Gifted & Talented				
School Activity	1,330			
Support Service Programs				
Instructional Improvement	1,548			
Educational Media	10,375			
Instruction-Related Technology				
Board of Education	10,761			
District Administration	319,965			
Buildings - Care	219,451			
Maintenance - Student Occupied	10,712			
Maintenance - Grounds	3,191			
Pupil-To-School Transportation	288			
Non-Instructional Programs				
Child Nutrition	17,601			
Capital Assets - Student Occupied				
Capital Assets - Non-Student Occupied				
<b>Total Expenditures</b>	<u>1,451,664</u>	<u>121,304</u>	<u>0</u>	<u>0</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	75	0	5,044	16,736
<b>Other Financing Sources (Uses)</b>				
Transfers In				
Transfers Out				
<b>Total Other Financing Sources (Uses)</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Net Change in Fund Balances</b>	75	0	5,044	16,736
<b>Fund Balances - Beginning</b>	<u>26,265</u>	<u>0</u>	<u>213,336</u>	<u>0</u>
<b>Fund Balances - Ending</b>	<u><u>\$26,340</u></u>	<u><u>\$0</u></u>	<u><u>\$218,380</u></u>	<u><u>\$16,736</u></u>

**THE ACADEMY**  
Statement of Revenues, Expenditures, and Changes in Fund Balances -  
Governmental Funds  
Year Ended June 30, 2010

	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>		
Local Revenue	\$0	\$45,813
State Revenue	7,875	1,258,457
Federal Revenue	56,694	355,122
<b>Total Revenues</b>	64,569	1,659,392
<b>Expenditures</b>		
Instructional Programs		
Elementary School	0	779,243
Secondary School	0	137,751
Exceptional Child	56,694	117,446
Gifted & Talented	0	0
School Activity	0	1,330
Support Service Programs		
Instructional Improvement	0	1,548
Educational Media	0	10,375
Instruction-Related Technology	7,876	7,876
Board of Education	0	10,761
District Administration	0	319,965
Buildings - Care	0	219,451
Maintenance - Student Occupied	0	10,712
Maintenance - Grounds	0	3,191
Pupil-To-School Transportation	0	288
Non-Instructional Programs		
Child Nutrition	0	17,601
Capital Assets - Student Occupied	0	0
Capital Assets - Non-Student Occupied	0	0
<b>Total Expenditures</b>	64,570	1,637,538
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	(1)	21,854
<b>Other Financing Sources (Uses)</b>		
Transfers In	0	0
Transfers Out	0	0
<b>Total Other Financing Sources (Uses)</b>	0	0
<b>Net Change in Fund Balances</b>	(1)	21,854
<b>Fund Balances - Beginning</b>	4,850	244,451
<b>Fund Balances - Ending</b>	\$4,849	\$266,305

**THE ACADEMY**

Statement of Revenues, Expenditures, and Changes in Fund Balances -  
Governmental Funds  
Year Ended June 30, 2010

**Reconciliation of the Statement of Revenues, Expenditures, and  
Changes in Fund Balances - Governmental Funds to the  
Statement of Activities**

**Net Change in Fund Balances - Total Governmental Funds** \$21,854

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

Government funds report capital outlays as expenditures.

However, in the statement of activities the cost of those assets is allocated over their estimated useful lives as depreciation expense.

This is the excess of capital outlays over (under) depreciation expense in the current period.

(8,810)

**Change in Net Assets of Governmental Activities**

\$13,044

**THE ACADEMY**  
Notes to Financial Statements

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**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity** – The Academy (the School) is organized as a nonprofit corporation providing public charter school educational services as authorized by Section 33 of Idaho Code. The School's boundaries for school enrollment purposes are located in the Pocatello area.

Idaho Code Section 33-5210(3) requires charter schools to comply with the same financial reporting requirements imposed on traditional public school districts, i.e. – on a governmental, rather than nonprofit, basis of accounting. Additionally, enabling legislation creates charter schools as public entities, i.e. – as public schools, subject to provisions common with other governmental entities as set forth in Idaho Code Section 33-5204. Accordingly, the School's basis of presentation follows the governmental, rather than nonprofit, reporting model.

These financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental nonprofit organizations. The significant accounting policies of the School are described below.

**Basic Financial Statements - Government-Wide Statements** – The School's basic financial statements include both government-wide (reporting the School as a whole) and fund financial statements (reporting the School's major funds). Both government-wide and fund financial statements categorize primary activities as either governmental or business type. Currently, all the School's activities are categorized as governmental activities.

In the government-wide statement of net assets, the activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The School's net assets may be reported in three parts - invested in capital assets, net of related debt (when related debt exists), restricted net assets, and unrestricted net assets. The School first utilizes restricted resources to finance qualifying activities.

The government-wide statement of activities reports both the gross and net cost of each of the School's functions. The functions are also supported by general government revenues as reported in the statement of activities. The statement of activities reduces gross expenses (including depreciation when recorded) by related program revenues and operating and capital grants. Program revenues must be directly associated with the function. Internal activity between funds (when two or more funds are involved) is eliminated in the government-wide statement of activities. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reports capital-specific grants.

The net costs (by function) are normally covered by general revenues.

The School reports expenditures in accordance with the State Department of Education's "Idaho Financial Accounting Reporting Management System" (IFARMS). IFARMS categorizes all expenditures by function, program and object. Accordingly, there is no allocation of indirect costs.

**THE ACADEMY**  
Notes to Financial Statements

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The government-wide focus is more on the sustainability of the School as an entity and the change in the School's net assets resulting from the current year's activities. Fiduciary funds, when present, are not included in the government-wide statements.

**Basic Financial Statements - Fund Financial Statements** – The financial transactions of the School are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses.

The emphasis in fund financial statements is on the major funds. Nonmajor funds by category are summarized into a single column. Generally accepted accounting principles set forth minimum criteria (percentage of assets, liabilities, revenues, and expenditures/expenses of the funds) for the determination of major funds. Major governmental funds of the School include:

*General Fund* – The general fund is the School's primary operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

*Special Revenue Funds* – Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. Major special revenue funds include the Title I-A, ESEA, IBP fund, which accounts for providing Title I-A services to students.

*Capital Projects Funds* – Capital projects funds are used to account for the acquisition of major capital assets. Major capital project funds include the capital construction fund, used to account for the construction and betterment of major capital assets, and the plant facilities fund, used to account for the maintenance of facilities.

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

Activities in the government-wide financial statements are presented on the accrual basis of accounting and are required to follow both governmental accounting standards board pronouncements and financial accounting standards board pronouncements issued before November 30, 1989. Revenues are recognized when earned and expenses are recognized when incurred.

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual (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 within thirty days after year end. Expenditures are recorded when the related fund liability is incurred. Exceptions to this general rule include principal and interest on long-term debt which, if any, are recognized when due and payable.



**THE ACADEMY**  
Notes to Financial Statements

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The School may report deferred revenue on its financial statements. For the fund financial statements, deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met, the revenue is recognized. For both the government-wide and fund financial statements, certain grant revenues are only recognized to the extent they have been used for qualifying expenditures; any excess revenues are reported as deferred revenue.

**Cash** – Nearly all the cash balances of the School's funds are pooled for investment purposes. The individual funds' portions of the pooled cash are reported in each fund as cash. Interest earned on pooled cash is allocated to the various funds in proportion to each fund's respective investment balance.

**Receivables** – Receivables are reported net of any estimated uncollectible amounts.

**Inventories** – Material supplies on hand at year end are stated at cost using the first-in, first-out method.

**Capital Assets and Depreciation** – Significant capital asset acquisitions with an original cost of \$5,000 or more are recorded at cost if purchased or fair value if contributed. Minor repairs and maintenance are expensed as incurred. Depreciation over the estimated useful lives of depreciable assets is recorded using the straight line method.

**Compensated Absences and Post-Retirement Benefits** – The School provides certain compensated absences to its employees. The estimated amount of compensation for future amounts is deemed to be immaterial and, accordingly, no liability is recorded. Government accounting standards board statement 45 requires employers to accrue future estimated post-retirement benefits on the employer's government-wide financial statements when such benefits are deemed material to the employer. The future estimated post-retirement benefits are deemed immaterial to the School, and accordingly, are not reflected on the government-wide financial statements.

**Net Assets** – Net assets is the difference between assets and liabilities. Net assets invested in capital assets - net of related debt, are capital assets net of accumulated depreciation and reduced by any outstanding debt related to the financing of those assets. Restricted net assets are net assets less related debt that are subject to constraints on their use by creditors, grantors, contributors, legislation, and other parties. All other net assets are reported as unrestricted.

**Fund Balance Classifications** – Restrictions of the fund balance indicate portions that are legally or contractually segregated for a specific future use. Nonspendable portions of the fund balance are those amounts that are not expected to be converted into cash. Committed portions represent amounts that can only be used for specific purposes pursuant to formal action (i.e. board approval) of the reporting entity's governing body. Assigned portions represent amounts that are constrained by the government's intent to be used for a specific purpose. Assigned fund balance classifications are not actively used by the entity. Remaining fund balances are reported as unassigned. When expenditures are incurred that qualify for either restricted or unrestricted

**THE ACADEMY**  
Notes to Financial Statements

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resources, the School first utilizes restricted resources. When expenditures are incurred that qualify for either committed or assigned or unassigned resources, the School first utilizes committed resources.

**Income Taxes** – The School is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code except for income, if any, derived from unrelated business activities.

**Contingent Liabilities** – Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the School expects such amounts, if any, to be immaterial.

**Teacher Contracts** – Contracts for teachers' salaries are payable in twelve monthly installments beginning in September. At June 30, the liability for the remaining two months of the current contracts is accrued.

**Interfund Activity** – Interfund activity is reported either as loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

**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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Concentrations of Credit Risk** – The School maintains its cash at insured financial institutions. Periodically, balances may exceed federally insured limits. The School does not have a formal policy concerning concentrations of credit risk.

**Risk Management** – The School is exposed to various risks related to its operations. Insurance is utilized to the extent practical to minimize these risks.

**Subsequent Events** – Subsequent events were evaluated through the date of the auditor's report, which is the date the financial statements were available to be issued.

**THE ACADEMY**  
Notes to Financial Statements

**B. CASH**

Cash consists of the following at year end:

Cash - Deposits	\$291,927
<b>Total</b>	<u><u>\$291,927</u></u>

**Deposits** – At year end, the carrying amounts of the School's deposits were \$291,927 and the bank balances were \$327,036. Of the bank balances, \$327,036 was insured.

**Investments** – State statutes authorize government entities to invest in certain bonds, notes, accounts, investment pools, and other obligations of the state, U.S. Treasury, and U.S. corporations pursuant to Idaho Code 67-1210 and 67-1210A. These statutes are designed to help minimize the custodial risk that deposits may not be returned in the event of the failure of the issuer or other counterparty, interest rate risk resulting from fair value losses arising from rising interest rates, or credit risks that an issuer or other counterparty will not fulfill its obligations. The School's investment policy complies with state statutes.

**C. RECEIVABLES**

Receivables consist of the following at year end:

	<u>General Fund</u>	<u>Special Revenue Funds</u>
Local Sources		
Other Local Sources	\$0	
<b>Total</b>	<u><u>\$0</u></u>	
State Sources		
Foundation Program	\$28,579	
Special Programs	0	
<b>Total</b>	<u><u>\$28,579</u></u>	
Federal Sources		
Special Programs		\$156,317
<b>Total</b>		<u><u>\$156,317</u></u>

**THE ACADEMY**  
Notes to Financial Statements

**D. DEFERRED REVENUE**

Deferred revenue consists of the following at year end:

<u>Description</u>	<u>Fund Financial Statements</u>	<u>Government Wide Financial Statements</u>
Grant Advances	\$129,013	\$129,013
<b>Total</b>	<u>\$129,013</u>	<u>\$129,013</u>

**E. CAPITAL ASSETS**

A summary of capital assets for the year is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Nondepreciable Capital Assets				
Land	\$0			\$0
<b>Total</b>	<u>0</u>	<u>\$0</u>	<u>\$0</u>	<u>0</u>
Depreciable Capital Assets				
Buildings	0			0
Equipment	61,667			61,667
Subtotal	<u>61,667</u>	<u>0</u>	<u>0</u>	<u>61,667</u>
Accumulated Depreciation				
Buildings	0			0
Equipment	27,023	8,810		35,833
Subtotal	<u>27,023</u>	<u>8,810</u>	<u>0</u>	<u>35,833</u>
<b>Total</b>	<u>34,644</u>	<u>(8,810)</u>	<u>0</u>	<u>25,834</u>
<b>Net Capital Assets</b>	<u>\$34,644</u>	<u>(\$8,810)</u>	<u>\$0</u>	<u>\$25,834</u>

Depreciation expense of \$8,810 was charged to the capital assets program.

**THE ACADEMY**  
Notes to Financial Statements

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**F. OPERATING LEASE**

The School leases its premises under a five year operating lease beginning August 1, 2006 and ending July 31, 2011. The lease calls for monthly rental payments of \$5,000 from August 1, 2006 through July 31, 2007, and \$11,200 per month thereafter through the end of the lease. Under the lease, the School is responsible for customary insurance coverage, routine maintenance, and utilities. Lease payments during the fiscal year totaled \$134,400.

Future minimum lease payments are estimated as follows:

<b>Year Ended</b>	
6/30/11	\$134,400
6/30/12	11,200
<b>Total</b>	<u><u>\$145,600</u></u>

**G. RETIREMENT PLAN**

Public Employee Retirement System of Idaho (PERSI) - The PERSI Base Plan, a cost sharing multiple-employer public retirement system, was created by the Idaho State Legislature. It is a defined benefit plan requiring that both the member and the employer contribute. The Plan provides benefits based on members' years of service, age, and compensation. In addition, benefits are provided for disability, death, and survivors of eligible members or beneficiaries. The authority to establish and amend benefit provisions is established in Idaho Code. Designed as a mandatory system for eligible state and school district employees, the legislation provided for other political subdivisions to participate by contractual agreement with PERSI. After 5 years of credited service, members become fully vested in retirement benefits earned to date. Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. For each month of credited service, the annual service retirement allowance is 2.0% (2.3% police/firefighter) of the average monthly salary for the highest consecutive 42 months.

PERSI issues publicly available stand alone financial reports that include audited financial statements and required supplementary information. These reports may be obtained from PERSI's website [www.persi.idaho.gov](http://www.persi.idaho.gov).

The contribution requirements of employer and employees are established and may be amended by the PERSI Board of Trustees. For the year ended June 30, 2010, the required contribution rate as a percentage of covered payrolls for members was 6.23% for general members and 7.69% for police/firefighters. The employer rate as a percentage of covered payroll was 10.39% for general members and 10.73% for police/firefighter members. Additionally, PERSI administers the Sick Leave Insurance Reserve Fund which collects salary-based contributions while employed and pays insurance premiums for state and school employees at retirement based on a portion of the

**THE ACADEMY**  
Notes to Financial Statements

accumulated balance of their unused sick leave. State and school employers pre-fund this termination payment with contributions to PERSI during active employment.

The School's contributions required and paid were \$92,783, \$79,660, and \$69,036, for the three years ended June 30, 2010, 2009, and 2008 respectively.

**H. INTERFUND BALANCES AND TRANSFERS**

Interfund balances at year end consist of the following:

<b>Due To Fund</b>	<b>Due From Fund</b>	
	Nonmajor Governmental	<b>Total</b>
General	\$19,618	\$19,618
<b>Total</b>	<b>\$19,618</b>	<b>\$19,618</b>

These interfund balances resulted from the time lag between when expenditures are incurred in a fund and when the fund is reimbursed for such expenditures.

Interfund transfers during the year consist of the following:

<b>Fund</b>	<b>Transfer In</b>	<b>Transfer Out</b>	<b>Purpose</b>
General	\$0	\$0	(None in current year)
Plant Facilities	0	0	(None in current year)
Nonmajor Governmental	0	0	(None in current year)
<b>Total</b>	<b>\$0</b>	<b>\$0</b>	

**REQUIRED SUPPLEMENTAL INFORMATION**

**THE ACADEMY**  
 Budgetary Comparison Schedule -  
 General and Major Special Revenue Funds  
 Year Ended June 30, 2010

<b>General Fund</b>	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Final Budget</b>
	<b>(GAAP Basis)</b>			
	<b>Original</b>	<b>Final</b>		<b>Positive</b>
				<b>(Negative)</b>
<b>Revenues</b>				
Local Revenue			\$40,769	\$40,769
State Revenue	\$1,428,566	\$1,428,566	1,233,846	(194,720)
Federal Revenue			177,124	177,124
<b>Total Revenues</b>	<u>1,428,566</u>	<u>1,428,566</u>	<u>1,451,739</u>	<u>23,173</u>
<b>Expenditures</b>				
Instructional Programs				
Elementary School	572,381	572,381	657,939	(85,558)
Secondary School	161,600	161,600	137,751	23,849
Exceptional Child	99,750	99,750	60,752	38,998
Gifted & Talented	500	500	0	500
School Activity	1,000	1,000	1,330	(330)
Support Service Programs				
Instructional Improvement	7,000	7,000	1,548	5,452
Educational Media	12,500	12,500	10,375	2,125
Instruction-Related Technology			0	0
Board of Education	15,250	15,250	10,761	4,489
District Administration	281,689	281,689	319,965	(38,276)
Buildings - Care	217,946	217,946	219,451	(1,505)
Maintenance - Student Occupied	2,500	2,500	10,712	(8,212)
Maintenance - Grounds	5,000	5,000	3,191	1,809
Pupil-To-School Transportation	1,000	1,000	288	712
Non-Instructional Programs				
Child Nutrition	13,000	13,000	17,601	(4,601)
Capital Assets - Student Occupied			0	0
Capital Assets - Non-Student Occupied			0	0
<b>Total Expenditures</b>	<u>1,391,116</u>	<u>1,391,116</u>	<u>1,451,664</u>	<u>(60,548) *</u>
<b>Excess (Deficiency) of Revenues</b>				
<b>Over Expenditures</b>	37,450	37,450	75	(37,375)
<b>Other Financing Sources (Uses)</b>				
Transfers In			0	0
Transfers Out			0	0
<b>Total Other Financing Sources (Uses)</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Net Change in Fund Balances</b>	<u>37,450</u>	<u>37,450</u>	<u>75</u>	<u>(37,375)</u>
<b>Fund Balances - Beginning</b>	<u>70,000</u>	<u>70,000</u>	<u>26,265</u>	<u>(43,735)</u>
<b>Fund Balances - Ending</b>	<u>\$107,450</u>	<u>\$107,450</u>	<u>\$26,340</u>	<u>(\$81,110)</u>

\*Total expenditures (over) under appropriations.



**THE ACADEMY**  
 Budgetary Comparison Schedule -  
 General and Major Special Revenue Funds  
 Year Ended June 30, 2010

<b>Title I-A, ESEA, IBP Fund</b>	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Final Budget</b>
	<b>(GAAP Basis)</b>			
	<b>Original</b>	<b>Final</b>		<b>Positive</b>
				<b>(Negative)</b>
<b>Revenues</b>				
Local Revenue			\$0	\$0
State Revenue			0	0
Federal Revenue	\$182,190	\$182,190	121,304	(60,886)
<b>Total Revenues</b>	<u>182,190</u>	<u>182,190</u>	<u>121,304</u>	<u>(60,886)</u>
<b>Expenditures</b>				
Instructional Programs				
Elementary School	182,190	182,190	121,304	60,886
Secondary School			0	0
Exceptional Child			0	0
Gifted & Talented			0	0
School Activity			0	0
Support Service Programs				
Instructional Improvement			0	0
Educational Media			0	0
Instruction-Related Technology			0	0
Board of Education			0	0
District Administration			0	0
Buildings - Care			0	0
Maintenance - Student Occupied			0	0
Maintenance - Grounds			0	0
Pupil-To-School Transportation			0	0
Non-Instructional Programs				
Child Nutrition			0	0
Capital Assets - Student Occupied			0	0
Capital Assets - Non-Student Occupied			0	0
<b>Total Expenditures</b>	<u>182,190</u>	<u>182,190</u>	<u>121,304</u>	<u>60,886</u> *
<b>Excess (Deficiency) of Revenues</b>				
<b>Over Expenditures</b>	0	0	0	0
<b>Other Financing Sources (Uses)</b>				
Transfers In			0	0
Transfers Out			0	0
<b>Total Other Financing Sources (Uses)</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Net Change in Fund Balances</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Fund Balances - Beginning</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Fund Balances - Ending</b>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

\*Total expenditures (over) under appropriations.

**SUPPLEMENTARY INFORMATION**

**THE ACADEMY**  
Combining Balance Sheet - Nonmajor Governmental Funds  
June 30, 2010

	<b>Special Revenue Funds</b>			<b>Total</b>
	<b>Technology</b>	<b>Special Educ. IDEA Part B</b>	<b>Title II-A Improving Teacher Quality</b>	
<b>Assets</b>				
Cash	\$4,849			\$4,849
Receivables:				
Local Sources				0
State Sources				0
Federal Sources		\$53,918	\$14,261	68,179
Due From Other Funds				0
<b>Total Assets</b>	<u>\$4,849</u>	<u>\$53,918</u>	<u>\$14,261</u>	<u>\$73,028</u>
<b>Liabilities</b>				
Accounts Payable				\$0
Due To Other Funds				0
Salaries & Benefits Payable				0
Deferred Revenue		\$53,918	\$14,261	68,179
<b>Total Liabilities</b>	<u>\$0</u>	<u>53,918</u>	<u>14,261</u>	<u>68,179</u>
<b>Fund Balances</b>				
Restricted:				
Special Programs	4,849	0	0	4,849
Capital Projects				0
Nonspendable				0
Unassigned				0
<b>Total Fund Balances</b>	<u>4,849</u>	<u>0</u>	<u>0</u>	<u>4,849</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$4,849</u>	<u>\$53,918</u>	<u>\$14,261</u>	<u>\$73,028</u>

**THE ACADEMY**  
Combining Statement of Revenues, Expenditures, and Changes in  
Fund Balances - Nonmajor Governmental Funds  
Year Ended June 30, 2010

	<b>Special Revenue Funds</b>			<b>Total</b>
	<b>Technology</b>	<b>Special Educ. IDEA Part B</b>	<b>Title II-A Improving Teacher Quality</b>	
<b>Revenues</b>				
Local Revenue				\$0
State Revenue	\$7,875			7,875
Federal Revenue		\$56,694		56,694
<b>Total Revenues</b>	<u>7,875</u>	<u>56,694</u>	<u>\$0</u>	<u>64,569</u>
<b>Expenditures</b>				
Instructional Programs				
Elementary School				0
Secondary School				0
Exceptional Child		56,694		56,694
Gifted & Talented				0
School Activity				0
Support Service Programs				
Instructional Improvement				0
Educational Media				0
Instruction-Related Technology	7,876			7,876
Board of Education				0
District Administration				0
Buildings - Care				0
Maintenance - Student Occupied				0
Maintenance - Grounds				0
Pupil-To-School Transportation				0
Non-Instructional Programs				
Child Nutrition				0
Capital Assets - Student Occupied				0
Capital Assets - Non-Student Occupied				0
<b>Total Expenditures</b>	<u>7,876</u>	<u>56,694</u>	<u>0</u>	<u>64,570</u>
<b>Excess (Deficiency) of Revenues</b>				
<b>Over Expenditures</b>	(1)	0	0	(1)
<b>Other Financing Sources (Uses)</b>				
Transfers In				0
Transfers Out				0
<b>Total Other Financing Sources (Uses)</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Net Change in Fund Balances</b>	(1)	0	0	(1)
<b>Fund Balances - Beginning</b>	4,850	0	0	4,850
<b>Fund Balances - Ending</b>	<u>\$4,849</u>	<u>\$0</u>	<u>\$0</u>	<u>\$4,849</u>

**OTHER REPORTS AND SCHEDULES**

**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***

Board of Directors  
The Academy

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of The Academy (the School) as of and for the year ended June 30, 2010, which collectively comprise the School's basic financial statements and have issued our report thereon dated September 10, 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 School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School'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 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 to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and responses as B-1 that we consider to be a significant deficiency in internal control over financial reporting. 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.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School'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*.

The School's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the School's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the management, those charged with governance, others within the entity, 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.

***Folke CPAs, P.C.***

September 10, 2010

**THE ACADEMY**  
Schedule of Findings and Responses  
Year Ended June 30, 2010

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**A. SUMMARY OF AUDITOR'S RESULTS**

1. The auditor's report expresses an unqualified opinion on the financial statements of the School.
2. One significant deficiency relating to the audit of the financial statements is reported in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Basic Financial Statements Performed in Accordance with *Government Auditing Standards*. The deficiency is not reported as a material weakness.
3. No instances of noncompliance material to the financial statements of the School were disclosed during the audit.

**B. FINDINGS - FINANCIAL STATEMENT AUDIT**

**Significant Deficiency**

1. *Segregation of Duties*

**Condition** – Although the School has implemented various checks and balances in internal control to the degree possible given available staff, it does not have a complete segregation of duties over assets.

**Criteria** – Inherent in an ideal internal control structure is a complete segregation of duties over assets.

**Cause** – This situation is due to staffing limitations common to an entity this size.

**Effect** – The lack of a complete segregation of duties may increase the risk that a loss of assets would not be detected and prevented in a timely manner and in the normal course of operations.

**Recommendation and Response** – It is requested that the School take note that this situation exists. Management has taken steps to improve in this area insofar as is possible with an entity this size. However, substantial changes cannot be expected until the benefits are deemed to outweigh the costs of hiring additional staff.