

**THE ACADEMY**

**FINANCIAL STATEMENTS**

**Year Ended June 30, 2012**

**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, 2012, 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, 2012 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 6, 2012 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 not presented the management's discussion and analysis information that governmental 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 6, 2012

## **BASIC FINANCIAL STATEMENTS**

**THE ACADEMY**  
Statement of Net Assets  
June 30, 2012

	<u><b>Governmental Activities</b></u>
<b>Assets</b>	
Current Assets	
Cash	\$157,448
Receivables:	
Local Sources	0
State Sources	13,670
Federal Sources	183,471
Total Current Assets	<u>354,589</u>
Noncurrent Assets	
Nondepreciable Capital Assets	150,000
Depreciable Net Capital Assets	8,214
Total Noncurrent Assets	<u>158,214</u>
<b>Total Assets</b>	<u><u>\$512,803</u></u>
<b>Liabilities</b>	
Current Liabilities	
Accounts Payable	\$2,525
Salaries & Benefits Payable	81,508
Deferred Revenue	51,349
Total Current Liabilities	<u>135,382</u>
<b>Total Liabilities</b>	<u><u>135,382</u></u>
<b>Net Assets</b>	
Invested in Capital Assets	158,214
Restricted:	
Special Programs	0
Capital Projects	115,299
Unrestricted	103,908
<b>Total Net Assets</b>	<u>377,421</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$512,803</u></u>

**THE ACADEMY**  
Statement of Activities  
Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue And Changes in Net Assets
		Charges For Services	Operating Grants And Contributions	
<b>Governmental Activities</b>				
Instructional Programs				
Elementary School	\$783,158		\$167,432	(\$615,726)
Secondary School	128,656			(128,656)
Exceptional Child	160,295		99,510	(60,785)
Gifted & Talented	0			0
School Activity	1,341			(1,341)
Support Service Programs				
Instructional Improvement	20,850		18,768	(2,082)
Educational Media	9,366			(9,366)
Instruction-Related Technology	11,106		11,106	0
Board of Education	7,669			(7,669)
District Administration	267,913			(267,913)
Buildings - Care	192,687			(192,687)
Maintenance - Student Occupied	1,054			(1,054)
Maintenance - Grounds	4,251			(4,251)
Pupil-To-School Transportation	14,683			(14,683)
Non-Instructional Programs				
Child Nutrition	21,207			(21,207)
Capital Assets - Student Occupied	8,810			(8,810)
Capital Assets - Non-Student Occupied	0			0
<b>Total</b>	<u>\$1,633,046</u>	<u>\$0</u>	<u>\$296,816</u>	<u>(\$1,336,230)</u>
<b>General Revenues</b>				
Local Revenue				14,596
State Revenue				1,258,003
Federal Revenue				0
<b>Total</b>				<u>1,272,599</u>
<b>Change in Net Assets</b>				(63,631)
<b>Net Assets - Beginning</b>				441,052
<b>Net Assets - Ending</b>				<u>\$377,421</u>



**THE ACADEMY**

Balance Sheet - Governmental Funds

June 30, 2012

	<b>General Fund</b>	<b>Title I-A ESEA IBP</b>	<b>Capital Construction Fund</b>	<b>Plant Facilities Fund</b>
<b>Assets</b>				
Cash	\$42,149		\$98,563	\$16,736
Receivables:				
Local Sources				
State Sources	13,670			
Federal Sources		\$88,719		
Due From Other Funds	124,436			
<b>Total Assets</b>	<u>\$180,255</u>	<u>\$88,719</u>	<u>\$98,563</u>	<u>\$16,736</u>
<b>Liabilities</b>				
Accounts Payable	\$2,525			
Due To Other Funds		\$71,110		
Salaries & Benefits Payable	73,822	7,686		
Deferred Revenue		9,923		
<b>Total Liabilities</b>	<u>76,347</u>	<u>88,719</u>	<u>\$0</u>	<u>\$0</u>
<b>Fund Balances</b>				
Restricted:				
Special Programs		0		
Capital Projects			98,563	16,736
Unassigned	103,908			
<b>Total Fund Balances</b>	<u>103,908</u>	<u>0</u>	<u>98,563</u>	<u>16,736</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$180,255</u>	<u>\$88,719</u>	<u>\$98,563</u>	<u>\$16,736</u>

**THE ACADEMY**

Balance Sheet - Governmental Funds

June 30, 2012

	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets</b>		
Cash	\$0	\$157,448
Receivables:		
Local Sources	0	0
State Sources	0	13,670
Federal Sources	94,752	183,471
Due From Other Funds	0	124,436
<b>Total Assets</b>	<u>\$94,752</u>	<u>\$479,025</u>
<b>Liabilities</b>		
Accounts Payable	\$0	\$2,525
Due To Other Funds	53,326	124,436
Salaries & Benefits Payable	0	81,508
Deferred Revenue	41,426	51,349
<b>Total Liabilities</b>	<u>94,752</u>	<u>259,818</u>
<b>Fund Balances</b>		
Restricted:		
Special Programs	0	0
Capital Projects	0	115,299
Unassigned	0	103,908
<b>Total Fund Balances</b>	<u>0</u>	<u>219,207</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$94,752</u>	<u>\$479,025</u>

**THE ACADEMY**  
Balance Sheet - Governmental Funds  
June 30, 2012

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

<b>Total Governmental Fund Balances</b>	\$219,207
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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.	158,214
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<b>Net Assets of Governmental Activities</b>	<u><u>\$377,421</u></u>
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**THE ACADEMY**

Statement of Revenues, Expenditures, and Changes in Fund Balances -  
Governmental Funds  
Year Ended June 30, 2012

	<u>General Fund</u>	<u>Title I-A ESEA IBP</u>	<u>Capital Construction Fund</u>	<u>Plant Facilities Fund</u>
<b>Revenues</b>				
Local Revenue	\$14,596			
State Revenue	1,260,079			
Federal Revenue	53,211	\$114,221		
<b>Total Revenues</b>	<u>1,327,886</u>	<u>114,221</u>	<u>\$0</u>	<u>\$0</u>
<b>Expenditures</b>				
Instructional Programs				
Elementary School	599,949	114,221	68,988	
Secondary School	128,656			
Exceptional Child	60,785			
Gifted & Talented				
School Activity	1,341			
Support Service Programs				
Instructional Improvement	2,082			
Educational Media	9,366			
Instruction-Related Technology				
Board of Education	7,669			
District Administration	267,913			
Buildings - Care	192,687			
Maintenance - Student Occupied	1,054			
Maintenance - Grounds	4,251			
Pupil-To-School Transportation	14,683			
Non-Instructional Programs				
Child Nutrition	21,207			
Capital Assets - Student Occupied			150,000	
Capital Assets - Non-Student Occupied				
<b>Total Expenditures</b>	<u>1,311,643</u>	<u>114,221</u>	<u>218,988</u>	<u>0</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	16,243	0	(218,988)	0
<b>Other Financing Sources (Uses)</b>				
Transfers In			100,000	
Transfers Out				
<b>Total Other Financing Sources (Uses)</b>	<u>0</u>	<u>0</u>	<u>100,000</u>	<u>0</u>
<b>Net Change in Fund Balances</b>	16,243	0	(118,988)	0
<b>Fund Balances - Beginning</b>	87,665	0	217,551	16,736
<b>Fund Balances - Ending</b>	<u>\$103,908</u>	<u>\$0</u>	<u>\$98,563</u>	<u>\$16,736</u>

**THE ACADEMY**

Statement of Revenues, Expenditures, and Changes in Fund Balances -  
Governmental Funds  
Year Ended June 30, 2012

	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
	<u>          </u>	<u>          </u>
<b>Revenues</b>		
Local Revenue	\$0	\$14,596
State Revenue	9,030	1,269,109
Federal Revenue	118,278	285,710
<b>Total Revenues</b>	<u>127,308</u>	<u>1,569,415</u>
<b>Expenditures</b>		
Instructional Programs		
Elementary School	0	783,158
Secondary School	0	128,656
Exceptional Child	99,510	160,295
Gifted & Talented	0	0
School Activity	0	1,341
Support Service Programs		
Instructional Improvement	18,768	20,850
Educational Media	0	9,366
Instruction-Related Technology	11,106	11,106
Board of Education	0	7,669
District Administration	0	267,913
Buildings - Care	0	192,687
Maintenance - Student Occupied	0	1,054
Maintenance - Grounds	0	4,251
Pupil-To-School Transportation	0	14,683
Non-Instructional Programs		
Child Nutrition	0	21,207
Capital Assets - Student Occupied	0	150,000
Capital Assets - Non-Student Occupied	0	0
<b>Total Expenditures</b>	<u>129,384</u>	<u>1,774,236</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	(2,076)	(204,821)
<b>Other Financing Sources (Uses)</b>		
Transfers In	0	100,000
Transfers Out	(100,000)	(100,000)
<b>Total Other Financing Sources (Uses)</b>	<u>(100,000)</u>	<u>0</u>
<b>Net Change in Fund Balances</b>	(102,076)	(204,821)
<b>Fund Balances - Beginning</b>	102,076	424,028
<b>Fund Balances - Ending</b>	<u>\$0</u>	<u>\$219,207</u>

**THE ACADEMY**

Statement of Revenues, Expenditures, and Changes in Fund Balances -  
Governmental Funds  
Year Ended June 30, 2012

**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** (\$204,821)

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 141,190

**Change in Net Assets of Governmental Activities** (\$63,631)

**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.

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 is used to account for certain funding related the School's Title I-A basic programs.

*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 through 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.



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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.

**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.

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Notes to Financial Statements

**B. CASH**

Cash consists of the following at year end:

Cash - Deposits	\$157,448
<b>Total</b>	<u><u>\$157,448</u></u>

**Deposits** – At year end, the carrying amounts of the School's deposits were \$157,448 and the bank balances were \$173,615. Of the bank balances, \$173,615 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	\$13,670	
<b>Total</b>	<u><u>\$13,670</u></u>	
Federal Sources		
Special Programs		\$183,471
<b>Total</b>		<u><u>\$183,471</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	\$51,349	\$51,349
<b>Total</b>	<u>\$51,349</u>	<u>\$51,349</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	\$150,000		\$150,000
<b>Total</b>	<u>0</u>	<u>150,000</u>	<u>\$0</u>	<u>150,000</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	44,643	8,810		53,453
Subtotal	<u>44,643</u>	<u>8,810</u>	<u>0</u>	<u>53,453</u>
<b>Total</b>	<u>17,024</u>	<u>(8,810)</u>	<u>0</u>	<u>8,214</u>
<b>Net Capital Assets</b>	<u>\$17,024</u>	<u>\$141,190</u>	<u>\$0</u>	<u>\$158,214</u>

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

**THE ACADEMY**  
Notes to Financial Statements

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**F. OPERATING LEASE**

The School leases its premises under a month-to-month operating lease. The lease calls for monthly payments of \$9,950. Under the lease, the School is responsible for customary insurance coverage, routine maintenance, and utilities. Lease payments during the fiscal year totaled \$120,650.

**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 standalone 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 actuarially determined contribution requirements of the School and its employees are established and may be amended by the PERSI Board of Trustees. For the year ended June 30, 2012, 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 for state and school employees while employed and pays insurance premiums at retirement based on a portion of the accumulated balance of their unused sick leave. State and school employers pre-fund this termination payment with contributions during active employment. The School's employer contributions required and paid were \$91,942, \$96,259, and \$92,783, for the three years ended June 30, 2012, 2011, and 2010 respectively.

**THE ACADEMY**  
Notes to Financial Statements

**H. INTERFUND BALANCES**

Interfund balances at year end consist of the following:

<b>Due To Fund</b>	<b>Due From Fund</b>		
	Title I-A ESEA IBP	Nonmajor Governmental	<b>Total</b>
General Fund	\$71,110	\$53,236	\$124,346
<b>Total</b>	<b>\$71,110</b>	<b>\$53,236</b>	<b>\$124,346</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>
Albertsons		\$100,000	Capital acquisition
Capital Construction	\$100,000		Capital acquisition
<b>Total</b>	<b>\$100,000</b>	<b>\$100,000</b>	

**REQUIRED SUPPLEMENTAL INFORMATION**

**THE ACADEMY**  
 Budgetary Comparison Schedule -  
 General and Major Special Revenue Funds  
 Year Ended June 30, 2012

<b>General Fund</b>	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Final Budget</b>
	<b>(GAAP Basis)</b>			<b>Amounts</b>
	<b>Original</b>	<b>Final</b>		<b>Positive</b>
				<b>(Negative)</b>
<b>Revenues</b>				
Local Revenue	\$0	\$0	\$14,596	\$14,596
State Revenue	\$1,365,039	\$1,365,039	1,260,079	(104,960)
Federal Revenue	0	0	53,211	53,211
<b>Total Revenues</b>	<b>1,365,039</b>	<b>1,365,039</b>	<b>1,327,886</b>	<b>(37,153)</b>
<b>Expenditures</b>				
<b>Instructional Programs</b>				
Elementary School	581,189	581,189	599,949	(18,760)
Secondary School	143,419	143,419	128,656	14,763
Exceptional Child	104,697	104,697	60,785	43,912
Gifted & Talented	500	500	0	500
School Activity	1,000	1,000	1,341	(341)
<b>Support Service Programs</b>				
Instructional Improvement	1,000	1,000	2,082	(1,082)
Educational Media	2,000	2,000	9,366	(7,366)
Instruction-Related Technology	0	0	0	0
Board of Education	13,500	13,500	7,669	5,831
District Administration	281,170	281,170	267,913	13,257
Buildings - Care	211,500	211,500	192,687	18,813
Maintenance - Student Occupied	2,500	2,500	1,054	1,446
Maintenance - Grounds	1,500	1,500	4,251	(2,751)
Pupil-To-School Transportation	1,000	1,000	14,683	(13,683)
<b>Non-Instructional Programs</b>				
Child Nutrition	15,000	15,000	21,207	(6,207)
Capital Assets - Student Occupied	37,422	37,422	0	37,422
Capital Assets - Non-Student Occupied	0	0	0	0
<b>Total Expenditures</b>	<b>1,397,397</b>	<b>1,397,397</b>	<b>1,311,643</b>	<b>85,754 *</b>
<b>Excess (Deficiency) of Revenues</b>				
<b>Over Expenditures</b>	<b>(32,358)</b>	<b>(32,358)</b>	<b>16,243</b>	<b>48,601</b>
<b>Other Financing Sources (Uses)</b>				
Transfers In	0	0	0	0
Transfers Out	0	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net Change in Fund Balances</b>	<b>(32,358)</b>	<b>(32,358)</b>	<b>16,243</b>	<b>48,601</b>
<b>Fund Balances - Beginning</b>	<b>53,557</b>	<b>53,557</b>	<b>87,665</b>	<b>34,108</b>
<b>Fund Balances - Ending</b>	<b>\$21,199</b>	<b>\$21,199</b>	<b>\$103,908</b>	<b>\$82,709</b>

*\*Total expenditures (over) under appropriations.*



**THE ACADEMY**  
 Budgetary Comparison Schedule -  
 General and Major Special Revenue Funds  
 Year Ended June 30, 2012

<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>Amounts</b>	<b>Variance</b>
				<b>Positive</b>
				<b>(Negative)</b>
<b>Revenues</b>				
Local Revenue			\$0	\$0
State Revenue			0	0
Federal Revenue	\$182,190	\$182,190	114,221	(67,969)
<b>Total Revenues</b>	<u>182,190</u>	<u>182,190</u>	<u>114,221</u>	<u>(67,969)</u>
<b>Expenditures</b>				
Instructional Programs				
Elementary School	182,190	182,190	114,221	67,969
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>114,221</u>	<u>67,969</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, 2012

	<b>Special Revenue Funds</b>			
	<u>Albertsons</u>	<u>Technology</u>	<u>Special Educ. IDEA Part B</u>	<u>Title II-A Improving Teacher Quality</u>
<b>Assets</b>				
Cash				
Receivables:				
Local Sources				
State Sources				
Federal Sources			\$74,362	\$20,390
Due From Other Funds				
<b>Total Assets</b>	<u>\$0</u>	<u>\$0</u>	<u>\$74,362</u>	<u>\$20,390</u>
<b>Liabilities</b>				
Accounts Payable				
Due To Other Funds			\$36,478	\$16,848
Salaries & Benefits Payable				
Deferred Revenue			37,884	3,542
<b>Total Liabilities</b>	<u>\$0</u>	<u>\$0</u>	<u>74,362</u>	<u>20,390</u>
<b>Fund Balances</b>				
Restricted:				
Special Programs	0	0	0	0
Capital Projects				
Unassigned				
<b>Total Fund Balances</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$0</u>	<u>\$0</u>	<u>\$74,362</u>	<u>\$20,390</u>

**THE ACADEMY**  
Combining Balance Sheet - Nonmajor Governmental Funds  
June 30, 2012

	<b>Total</b>
<b>Assets</b>	
Cash	\$0
Receivables:	
Local Sources	0
State Sources	0
Federal Sources	94,752
Due From Other Funds	0
<b>Total Assets</b>	<b>\$94,752</b>
 <b>Liabilities</b>	
Accounts Payable	\$0
Due To Other Funds	53,326
Salaries & Benefits Payable	0
Deferred Revenue	41,426
<b>Total Liabilities</b>	<b>94,752</b>
 <b>Fund Balances</b>	
Restricted:	
Special Programs	0
Capital Projects	0
Unassigned	0
<b>Total Fund Balances</b>	<b>0</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$94,752</b>

**THE ACADEMY**

Combining Statement of Revenues, Expenditures, and Changes in  
Fund Balances - Nonmajor Governmental Funds  
Year Ended June 30, 2012

	<b>Special Revenue Funds</b>			
	<b>Albertsons</b>	<b>Technology</b>	<b>Special Educ. IDEA Part B</b>	<b>Title II-A Improving Teacher Quality</b>
<b>Revenues</b>				
Local Revenue				
State Revenue		\$9,030		
Federal Revenue			\$99,510	\$18,768
<b>Total Revenues</b>	<u>\$0</u>	<u>9,030</u>	<u>99,510</u>	<u>18,768</u>
<b>Expenditures</b>				
Instructional Programs				
Elementary School				
Secondary School				
Exceptional Child			99,510	
Gifted & Talented				
School Activity				
Support Service Programs				
Instructional Improvement				18,768
Educational Media				
Instruction-Related Technology		11,106		
Board of Education				
District Administration				
Buildings - Care				
Maintenance - Student Occupied				
Maintenance - Grounds				
Pupil-To-School Transportation				
Non-Instructional Programs				
Child Nutrition				
Capital Assets - Student Occupied				
Capital Assets - Non-Student Occupied				
<b>Total Expenditures</b>	<u>0</u>	<u>11,106</u>	<u>99,510</u>	<u>18,768</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	0	(2,076)	0	0
<b>Other Financing Sources (Uses)</b>				
Transfers In				
Transfers Out	(100,000)			
<b>Total Other Financing Sources (Uses)</b>	<u>(100,000)</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Net Change in Fund Balances</b>	<u>(100,000)</u>	<u>(2,076)</u>	<u>0</u>	<u>0</u>
<b>Fund Balances - Beginning</b>	<u>100,000</u>	<u>2,076</u>	<u>0</u>	<u>0</u>
<b>Fund Balances - Ending</b>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

**THE ACADEMY**

Combining Statement of Revenues, Expenditures, and Changes in  
Fund Balances - Nonmajor Governmental Funds  
Year Ended June 30, 2012

	<b>Total</b>
<b>Revenues</b>	
Local Revenue	\$0
State Revenue	9,030
Federal Revenue	118,278
<b>Total Revenues</b>	127,308
<b>Expenditures</b>	
Instructional Programs	
Elementary School	0
Secondary School	0
Exceptional Child	99,510
Gifted & Talented	0
School Activity	0
Support Service Programs	
Instructional Improvement	18,768
Educational Media	0
Instruction-Related Technology	11,106
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>	129,384
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	(2,076)
<b>Other Financing Sources (Uses)</b>	
Transfers In	0
Transfers Out	(100,000)
<b>Total Other Financing Sources (Uses)</b>	(100,000)
<b>Net Change in Fund Balances</b>	(102,076)
<b>Fund Balances - Beginning</b>	102,076
<b>Fund Balances - Ending</b>	\$0

**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, 2012, which collectively comprise the School's basic financial statements and have issued our report thereon dated September 6, 2012. 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**

Management of the School is responsible for establishing and maintaining effective 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 6, 2012

**THE ACADEMY**  
Schedule of Findings and Responses  
Year Ended June 30, 2012

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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.