

**THE ACADEMY**

**FINANCIAL STATEMENTS**

**Year Ended June 30, 2013**

**THE ACADEMY**  
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## **FINANCIAL SECTION**

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## Independent Auditor's Report

Board of Directors  
The Academy

### Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **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, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the budgetary comparison information listed as required supplementary 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.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School's basic financial statements. The accompanying combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or the basic 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 basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2013, 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* in considering the School's internal control over financial reporting and compliance.

***Quost CPAs, P.C.***

Payette, Idaho  
October 22, 2013

## **BASIC FINANCIAL STATEMENTS**

**THE ACADEMY**  
Statement of Net Position  
June 30, 2013

	<b>Governmental Activities</b>
<b>Assets</b>	
Current Assets	
Cash	\$255,578
Receivables:	
Local Sources	0
State Sources	12,123
Federal Sources	138,334
Total Current Assets	406,035
Noncurrent Assets	
Nondepreciable Capital Assets	150,000
Depreciable Net Capital Assets	0
Total Noncurrent Assets	150,000
<b>Total Assets</b>	\$556,035
 <b>Liabilities</b>	
Current Liabilities	
Accounts Payable	\$10,214
Salaries & Benefits Payable	73,818
Total Current Liabilities	84,032
<b>Total Liabilities</b>	84,032
 <b>Deferred Inflows of Resources</b>	
Current Deferred Inflows of Resources	
Unspent Grant Allocation	44,493
Total Current Deferred Inflows of Resources	44,493
<b>Total Deferred Inflows of Resources</b>	44,493
 <b>Net Position</b>	
Net Investment in Capital Assets	150,000
Restricted:	
Special Programs	0
Capital Projects	59,565
Unrestricted	217,945
<b>Total Net Position</b>	427,510
<b>Total Liabilities and Deferred Inflows of Resources and Net Position</b>	\$556,035



**THE ACADEMY**  
**Statement of Activities**  
**Year Ended June 30, 2013**

Functions/Programs	Expenses	Program Revenues		Governmental Activities	Net (Expense) Revenue And Changes in Net Position
		Charges For Services	Operating Grants And Contributions		
<b>Governmental Activities</b>					
<b>Instructional Programs</b>					
Elementary School	\$759,888		\$104,979		(\$654,909)
Secondary School	143,937				(143,937)
Special Education	109,254		48,468		(60,786)
Gifted & Talented	0				0
School Activity	250				(250)
<b>Support Service Programs</b>					
Instructional Improvement	13,089		12,574		(515)
Educational Media	9,410				(9,410)
Instruction-Related Technology	9,863		9,863		0
Board of Education	7,678				(7,678)
District Administration	214,394				(214,394)
Buildings - Care	185,771				(185,771)
Maintenance - Student Occupied	4,050				(4,050)
Maintenance - Grounds	2,419				(2,419)
Pupil-To-School Transportation	0				0
<b>Non-Instructional Programs</b>					
Child Nutrition	1,401				(1,401)
Capital Assets - Student Occupied	8,214				(8,214)
Capital Assets - Non-Student Occupied	0				0
<b>Total</b>	<u>\$1,469,618</u>	<u>\$0</u>	<u>\$175,884</u>	<u>\$0</u>	<u>(1,293,734)</u>
<b>General Revenues</b>					
Local Revenue					31,013
State Revenue					1,312,810
Federal Revenue					
<b>Total</b>					<u>1,343,823</u>
<b>Change in Net Position</b>					<b>50,089</b>
<b>Net Position - Beginning</b>					<u>377,421</u>
<b>Net Position - Ending</b>					<u>\$427,510</u>

**THE ACADEMY**  
 Balance Sheet - Governmental Funds  
 June 30, 2013

	<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	\$196,013		\$42,829	\$16,736
Receivables:				
Local Sources				
State Sources	12,123			
Federal Sources		\$95,861		
Due From Other Funds	86,155			
<b>Total Assets</b>	<u>\$294,291</u>	<u>\$95,861</u>	<u>\$42,829</u>	<u>\$16,736</u>
<b>Liabilities</b>				
Accounts Payable	\$2,528	\$7,686		
Due To Other Funds		72,488		
Salaries & Benefits Payable	73,818			
<b>Total Liabilities</b>	<u>76,346</u>	<u>80,174</u>	<u>\$0</u>	<u>\$0</u>
<b>Deferred Inflows of Resources</b>				
Unspent Grant Allocation		15,687		
<b>Total Deferred Inflows of Resources</b>	<u>0</u>	<u>15,687</u>	<u>0</u>	<u>0</u>
<b>Fund Balances</b>				
Restricted:				
Special Programs				
Capital Projects			42,829	16,736
Unassigned	217,945			
<b>Total Fund Balances</b>	<u>217,945</u>	<u>0</u>	<u>42,829</u>	<u>16,736</u>
<b>Total Liabilities and Deferred Inflows of Resources and Fund Balances</b>	<u>\$294,291</u>	<u>\$95,861</u>	<u>\$42,829</u>	<u>\$16,736</u>

**THE ACADEMY**  
**Balance Sheet - Governmental Funds**  
**June 30, 2013**

	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets</b>		
Cash	\$0	\$255,578
Receivables:		
Local Sources	0	0
State Sources	0	12,123
Federal Sources	42,473	138,334
Due From Other Funds	0	86,155
<b>Total Assets</b>	<b>\$42,473</b>	<b>\$492,190</b>
<b>Liabilities</b>		
Accounts Payable	\$0	\$10,214
Due To Other Funds	13,667	86,155
Salaries & Benefits Payable	0	73,818
<b>Total Liabilities</b>	<b>13,667</b>	<b>170,187</b>
<b>Deferred Inflows of Resources</b>		
Unspent Grant Allocation	28,806	44,493
<b>Total Deferred Inflows of Resources</b>	<b>28,806</b>	<b>44,493</b>
<b>Fund Balances</b>		
Restricted:		
Special Programs	0	0
Capital Projects	0	59,565
Unassigned	0	217,945
<b>Total Fund Balances</b>	<b>0</b>	<b>277,510</b>
<b>Total Liabilities and Deferred Inflows of Resources and Fund Balances</b>	<b>\$42,473</b>	<b>\$492,190</b>

**THE ACADEMY**  
Balance Sheet - Governmental Funds  
June 30, 2013

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

<b>Total Governmental Fund Balances</b>	<b>\$277,510</b>
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	150,000
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<b>Net Position of Governmental Activities</b>	<u><u>\$427,510</u></u>
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**THE ACADEMY**

Statement of Revenues, Expenditures, and Changes in Fund Balances -  
Governmental Funds  
Year Ended June 30, 2013

	<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	\$45,894			
State Revenue	1,312,810			
Federal Revenue		\$90,098		
<b>Total Revenues</b>	<u>1,358,704</u>	<u>90,098</u>	<u>\$0</u>	<u>\$0</u>
<b>Expenditures</b>				
Instructional Programs				
Elementary School	614,056	90,098	55,734	
Secondary School	143,937			
Special Education	60,786			
Gifted & Talented				
School Activity	250			
Support Service Programs				
Instructional Improvement	515			
Educational Media	9,410			
Instruction-Related Technology				
Board of Education	7,678			
District Administration	214,394			
Buildings - Care	185,771			
Maintenance - Student Occupied	4,050			
Maintenance - Grounds	2,419			
Pupil-To-School Transportation				
Non-Instructional Programs				
Child Nutrition	1,401			
Capital Assets - Student Occupied				
Capital Assets - Non-Student Occupied				
<b>Total Expenditures</b>	<u>1,244,667</u>	<u>90,098</u>	<u>55,734</u>	<u>0</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	114,037	0	(55,734)	0
<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>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Net Change in Fund Balances</b>	114,037	0	(55,734)	0
<b>Fund Balances - Beginning</b>	103,908	0	98,563	16,736
<b>Fund Balances - Ending</b>	<u>\$217,945</u>	<u>\$0</u>	<u>\$42,829</u>	<u>\$16,736</u>

**THE ACADEMY**

Statement of Revenues, Expenditures, and Changes in Fund Balances -  
 Governmental Funds  
 Year Ended June 30, 2013

	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>		
Local Revenue	\$0	\$45,894
State Revenue	9,863	1,322,673
Federal Revenue	61,042	151,140
<b>Total Revenues</b>	<u>70,905</u>	<u>1,519,707</u>
<b>Expenditures</b>		
Instructional Programs		
Elementary School	0	759,888
Secondary School	0	143,937
Special Education	48,468	109,254
Gifted & Talented	0	0
School Activity	0	250
Support Service Programs		
Instructional Improvement	12,574	13,089
Educational Media	0	9,410
Instruction-Related Technology	9,863	9,863
Board of Education	0	7,678
District Administration	0	214,394
Buildings - Care	0	185,771
Maintenance - Student Occupied	0	4,050
Maintenance - Grounds	0	2,419
Pupil-To-School Transportation	0	0
Non-Instructional Programs		
Child Nutrition	0	1,401
Capital Assets - Student Occupied	0	0
Capital Assets - Non-Student Occupied	0	0
<b>Total Expenditures</b>	<u>70,905</u>	<u>1,461,404</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	0	58,303
<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>
<b>Net Change in Fund Balances</b>	0	58,303
<b>Fund Balances - Beginning</b>	0	219,207
<b>Fund Balances - Ending</b>	<u>\$0</u>	<u>\$277,510</u>

**THE ACADEMY**  
Statement of Revenues, Expenditures, and Changes in Fund Balances -  
Governmental Funds  
Year Ended June 30, 2013

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**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** **\$58,303**

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.

(8,214)

**Change in Net Position of Governmental Activities**

\$50,089

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



**THE ACADEMY**  
Notes to Financial Statements

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**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 and fiduciary fund financial statements are presented on the accrual basis of accounting. 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 School may report deferred inflows of resources on its financial statements. For the fund financial statements, deferred inflows of resources arise when assets (i.e. receivables) are recorded before the related revenues are available (i.e. before both the "measurable" and "available" criteria for revenue recognition in the current period are met). 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 ACADEMY**  
Notes to Financial Statements

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the extent they have been used for qualifying expenditures. At yearend, any unspent grant allocations are reported as receivables and offset by deferred inflows of resources in an account called unspent grant allocation.

**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 Position** – Net position is assets plus deferred outflows of resources (when they exist) less liabilities less deferred inflows of resources (when they exist). The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by any outstanding debt that are attributable to the acquisition, improvement, or construction of those assets and adjusted for any related deferred outflows or inflows of resources (when they exist). Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources (when they exist) related to those assets. Restricted assets are assets less related debt that are subject to constraints on their use by creditors, grantors, contributors, legislation, and other parties.

**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

**THE ACADEMY**  
Notes to Financial Statements

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as unassigned. When expenditures are incurred that qualify for either restricted or unrestricted 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 then assigned resources before using unassigned 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.

**THE ACADEMY**  
Notes to Financial Statements

**B. CASH**

Cash consists of the following at year end:

Cash - Deposits	\$255,578
<b>Total</b>	<u><u>\$255,578</u></u>

**Deposits** – At year end, the carrying amounts of the School's deposits were \$255,578 and the bank balances were \$274,989. Of the bank balances, \$274,989 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>
State Sources		
Foundation Program	\$12,123	
<b>Total</b>	<u><u>\$12,123</u></u>	
Federal Sources		
Special Programs		\$138,334
<b>Total</b>		<u><u>\$138,334</u></u>

**THE ACADEMY**  
Notes to Financial Statements

**D. 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>
<b>Nondepreciable Capital Assets</b>				
Land	\$150,000			\$150,000
<b>Total</b>	<u>150,000</u>	<u>0</u>	<u>\$0</u>	<u>150,000</u>
<b>Depreciable Capital Assets</b>				
Buildings	0			0
Equipment	61,667			61,667
Subtotal	<u>61,667</u>	<u>0</u>	<u>0</u>	<u>61,667</u>
<b>Accumulated Depreciation</b>				
Buildings	0			0
Equipment	53,453	8,214		61,667
Subtotal	<u>53,453</u>	<u>8,214</u>	<u>0</u>	<u>61,667</u>
<b>Total</b>	<u>8,214</u>	<u>(8,214)</u>	<u>0</u>	<u>0</u>
<b>Net Capital Assets</b>	<u>\$158,214</u>	<u>(\$8,214)</u>	<u>\$0</u>	<u>\$150,000</u>

Depreciation expense of \$8,214 was charged to the capital assets – student occupied program.

**E. OPERATING LEASE**

The School has an operating lease for its premises. The lease term is from August 1, 2012 through July 31, 2015. The lease calls for \$10,000 monthly payments which may increase after the first year depending on the School's funding. Total lease payments for the year were \$119,800.

Future minimum lease payments are estimated as follows:

<u>Year Ended</u>	
6/30/14	\$120,000
6/30/15	120,000
6/30/16	10,000
<b>Total</b>	<u>\$250,000</u>

**THE ACADEMY**  
Notes to Financial Statements

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**F. 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, 2013, 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 \$89,370, \$91,942, and \$96,259, for the three years ended June 30, 2013, 2012, and 2011 respectively.

**THE ACADEMY**  
Notes to Financial Statements

**G. INTERFUND BALANCES**

Interfund balances at year end consist of the following:

	<b>Due From Fund</b>		
<b>Due To Fund</b>	Title I-A ESEA IBP	Nonmajor Governmental	<b>Total</b>
General Fund	\$72,488	\$13,667	\$86,155
<b>Total</b>	<b>\$72,488</b>	<b>\$13,667</b>	<b>\$86,155</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.

**REQUIRED SUPPLEMENTARY INFORMATION**



**THE ACADEMY**  
 Budgetary Comparison Schedule -  
 General and Major Special Revenue Funds  
 Year Ended June 30, 2013

<b>General Fund</b>	<b>Budgeted Amounts (GAAP Basis)</b>		<b>Actual Amounts</b>	<b>Final Budget Variance</b>
	<b>Original</b>	<b>Final</b>		<b>Positive (Negative)</b>
<b>Revenues</b>				
Local Revenue	\$0	\$0	\$45,894	\$45,894
State Revenue	1,365,039	1,365,039	1,312,810	(52,229)
Federal Revenue	0	0	0	0
<b>Total Revenues</b>	<u>1,365,039</u>	<u>1,365,039</u>	<u>1,358,704</u>	<u>(6,335)</u>
<b>Expenditures</b>				
<b>Instructional Programs</b>				
Elementary School	620,495	620,495	614,056	6,439
Secondary School	139,730	139,730	143,937	(4,207)
Special Education	61,435	61,435	60,786	649
Gifted & Talented	500	500	0	500
School Activity	2,500	2,500	250	2,250
<b>Support Service Programs</b>				
Instructional Improvement	1,500	1,500	515	985
Educational Media	9,193	9,193	9,410	(217)
Instruction-Related Technology	0	0	0	0
Board of Education	13,750	13,750	7,678	6,072
District Administration	222,913	222,913	214,394	8,519
Buildings - Care	186,018	186,018	185,771	247
Maintenance - Student Occupied	2,500	2,500	4,050	(1,550)
Maintenance - Grounds	1,500	1,500	2,419	(919)
Pupil-To-School Transportation	1,000	1,000	0	1,000
<b>Non-Instructional Programs</b>				
Child Nutrition	15,000	15,000	1,401	13,599
Capital Assets - Student Occupied	35,000	35,000	0	35,000
Capital Assets - Non-Student Occupied	0	0	0	0
<b>Total Expenditures</b>	<u>1,313,034</u>	<u>1,313,034</u>	<u>1,244,667</u>	<u>68,367 *</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>				
	52,005	52,005	114,037	62,032
<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>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Net Change in Fund Balances</b>	52,005	52,005	114,037	62,032
<b>Fund Balances - Beginning</b>	53,557	53,557	103,908	50,351
<b>Fund Balances - Ending</b>	<u>\$105,562</u>	<u>\$105,562</u>	<u>\$217,945</u>	<u>\$112,383</u>

*\*Total expenditures (over) under appropriations are: \$68,367*

**THE ACADEMY**  
 Budgetary Comparison Schedule -  
 General and Major Special Revenue Funds  
 Year Ended June 30, 2013

Title I-A, ESEA, IBP Fund	Budgeted Amounts (GAAP Basis)		Actual Amounts	Final Budget Variance
	Original	Final		Positive (Negative)
<b>Revenues</b>				
Local Revenue	\$0	\$0	\$0	\$0
State Revenue	0	0	0	0
Federal Revenue	88,719	88,719	90,098	1,379
<b>Total Revenues</b>	<u>88,719</u>	<u>88,719</u>	<u>90,098</u>	<u>1,379</u>
<b>Expenditures</b>				
<b>Instructional Programs</b>				
Elementary School	88,719	88,719	90,098	(1,379)
Secondary School	0	0	0	0
Special Education	0	0	0	0
Gifted & Talented	0	0	0	0
School Activity	0	0	0	0
<b>Support Service Programs</b>				
Instructional Improvement	0	0	0	0
Educational Media	0	0	0	0
Instruction-Related Technology	0	0	0	0
Board of Education	0	0	0	0
District Administration	0	0	0	0
Buildings - Care	0	0	0	0
Maintenance - Student Occupied	0	0	0	0
Maintenance - Grounds	0	0	0	0
Pupil-To-School Transportation	0	0	0	0
<b>Non-Instructional Programs</b>				
Child Nutrition	0	0	0	0
Capital Assets - Student Occupied	0	0	0	0
Capital Assets - Non-Student Occupied	0	0	0	0
<b>Total Expenditures</b>	<u>88,719</u>	<u>88,719</u>	<u>90,098</u>	<u>(1,379) *</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	0	0
Transfers Out	0	0	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>	0	0	0	0
<b>Fund Balances - Beginning</b>	0	0	0	0
<b>Fund Balances - Ending</b>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

*\*Total expenditures (over) under appropriations are:* (\$1,379)

**SUPPLEMENTARY INFORMATION**

**THE ACADEMY**  
 Combining Balance Sheet - Nonmajor Governmental Funds  
 June 30, 2013

	<b>Special Revenue Funds</b>		
	<b>Technology</b>	<b>Special Educ. IDEA Part B</b>	<b>Title II-A Improving Teacher Quality</b>
<b>Assets</b>			
Cash			
Receivables:			
Local Sources			
State Sources			
Federal Sources		\$28,521	\$13,952
Due From Other Funds			
<b>Total Assets</b>	<u>\$0</u>	<u>\$28,521</u>	<u>\$13,952</u>
<b>Liabilities</b>			
Accounts Payable			
Due To Other Funds			\$13,667
Salaries & Benefits Payable			
<b>Total Liabilities</b>	<u>\$0</u>	<u>\$0</u>	<u>13,667</u>
<b>Deferred Inflows of Resources</b>			
Unspent Grant Allocation		28,521	285
<b>Total Deferred Inflows of Resources</b>	<u>0</u>	<u>28,521</u>	<u>285</u>
<b>Fund Balances</b>			
Restricted:			
Special Programs			
Capital Projects			
Unassigned			
<b>Total Fund Balances</b>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total Liabilities and Deferred Inflows of Resources and Fund Balances</b>	<u>\$0</u>	<u>\$28,521</u>	<u>\$13,952</u>

**THE ACADEMY**  
Combining Balance Sheet - Nonmajor Governmental Funds  
June 30, 2013

	<b>Total</b>
<b>Assets</b>	
Cash	\$0
Receivables:	
Local Sources	0
State Sources	0
Federal Sources	42,473
Due From Other Funds	0
<b>Total Assets</b>	<b>\$42,473</b>
 <b>Liabilities</b>	
Accounts Payable	\$0
Due To Other Funds	13,667
Salaries & Benefits Payable	0
<b>Total Liabilities</b>	<b>13,667</b>
 <b>Deferred Inflows of Resources</b>	
Unspent Grant Allocation	28,806
<b>Total Deferred Inflows of Resources</b>	<b>28,806</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 Deferred Inflows of Resources and Fund Balances</b>	<b>\$42,473</b>

**THE ACADEMY**  
Combining Statement of Revenues, Expenditures, and Changes in  
Fund Balances - Nonmajor Governmental Funds  
Year Ended June 30, 2013

	<b>Special Revenue Funds</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	\$9,863		
Federal Revenue		\$48,468	\$12,574
<b>Total Revenues</b>	<u>9,863</u>	<u>48,468</u>	<u>12,574</u>
<b>Expenditures</b>			
Instructional Programs			
Elementary School			
Secondary School			
Special Education		48,468	
Gifted & Talented			
School Activity			
Support Service Programs			
Instructional Improvement			12,574
Educational Media			
Instruction-Related Technology	9,863		
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>9,863</u>	<u>48,468</u>	<u>12,574</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Other Financing Sources (Uses)</b>			
Transfers In	0	0	0
Transfers Out	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<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>
<b>Fund Balances - Beginning</b>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Fund Balances - Ending</b>	<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, 2013

	<b>Total</b>
<b>Revenues</b>	
Local Revenue	\$0
State Revenue	9,863
Federal Revenue	61,042
<b>Total Revenues</b>	<b>70,905</b>
<b>Expenditures</b>	
<b>Instructional Programs</b>	
Elementary School	0
Secondary School	0
Special Education	48,468
Gifted & Talented	0
School Activity	0
<b>Support Service Programs</b>	
Instructional Improvement	12,574
Educational Media	0
Instruction-Related Technology	9,863
Board of Education	0
District Administration	0
Buildings - Care	0
Maintenance - Student Occupied	0
Maintenance - Grounds	0
Pupil-To-School Transportation	0
<b>Non-Instructional Programs</b>	
Child Nutrition	0
Capital Assets - Student Occupied	0
Capital Assets - Non-Student Occupied	0
<b>Total Expenditures</b>	<b>70,905</b>
<b>Excess (Deficiency) of Revenues</b>	
<b>Over Expenditures</b>	0
<b>Other Financing Sources (Uses)</b>	
Transfers In	0
Transfers Out	0
<b>Total Other Financing Sources (Uses)</b>	0
<b>Net Change in Fund Balances</b>	0
<b>Fund Balances - Beginning</b>	0
<b>Fund Balances - Ending</b>	<b>\$0</b>

**OTHER REPORTS AND SCHEDULES**



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**Independent Auditor's Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial Statements  
Statements Performed in Accordance With *Government Auditing Standards***

Board of Directors  
The Academy

We have audited, in accordance with the 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, 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, 2013, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated October 22, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

*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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain

deficiency in internal control, described in the accompanying schedule of findings and responses as B-1 that we consider to be a significant deficiency.

### **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*.

### **School's Response to Finding**

The School's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The School's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

***Quest CPAs, P.C.***

Payette, Idaho  
October 22, 2013

**THE ACADEMY**  
Schedule of Findings and Responses  
Year Ended June 30, 2013

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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 disclosed during the audit of the financial statements is reported in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. No material weaknesses are reported.
3. No instances of noncompliance material to the financial statements of the School, which would be required to be reported in accordance *Government Auditing Standards*, 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.

**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**

**Independent Auditors' Report**

To the Board of Directors  
Coeur d'Alene Charter Academy, Inc.  
Coeur d'Alene, ID 83814

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Coeur d'Alene Charter Academy, Inc., as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Coeur d'Alene Charter Academy, Inc.'s basic financial statements and have issued our report thereon dated October 15, 2013.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Coeur d'Alene Charter Academy, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Coeur d'Alene Charter Academy, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Coeur d'Alene Charter Academy, Inc.'s internal control.

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

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 material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Coeur d'Alene Charter Academy, Inc.'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*.