

THE ACADEMY

FINANCIAL STATEMENTS

Year Ended June 30, 2014

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, 2014, 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, 2014, 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 and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor 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 combining and individual nonmajor fund financial statements are 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 November 4, 2014, 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.

Quest CPAs, P.C.

Payette, Idaho
November 4, 2014

BASIC FINANCIAL STATEMENTS

THE ACADEMY
Statement of Net Position
June 30, 2014

	<u>Governmental Activities</u>
Assets	
Current Assets	
Cash	\$411,561
Receivables:	
Local Sources	0
State Sources	34,839
Federal Sources	99,351
Total Current Assets	<u>545,751</u>
Noncurrent Assets	
Nondepreciable Capital Assets	150,000
Depreciable Net Capital Assets	8,953
Total Noncurrent Assets	<u>158,953</u>
Total Assets	<u><u>\$704,704</u></u>
 Liabilities	
Current Liabilities	
Accounts Payable	\$3,810
Salaries & Benefits Payable	73,819
Unspent Grant Allocation	60,344
Total Current Liabilities	<u>137,973</u>
Total Liabilities	<u>137,973</u>
 Net Position	
Net Investment in Capital Assets	158,953
Restricted:	
Special Programs	0
Capital Projects	55,956
Unrestricted	351,822
Total Net Position	<u>566,731</u>
Total Liabilities and Net Position	<u><u>\$704,704</u></u>

THE ACADEMY
Statement of Activities
Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues		Governmental Activities	Net (Expense) Revenue And Changes in Net Position
		Charges For Services	Operating Grants And Contributions		
Governmental Activities					
Instructional Programs					
Elementary School	\$713,565		\$91,665		(\$621,900)
Secondary School	138,189				(138,189)
Special Education	96,433		35,646		(60,787)
Gifted & Talented	0				0
School Activity	417				(417)
Support Service Programs					
Instructional Improvement	2,678		2,403		(275)
Educational Media	9,672				(9,672)
Instruction-Related Technology	0				0
Board of Education	5,739				(5,739)
District Administration	217,771				(217,771)
Buildings - Care	181,630				(181,630)
Maintenance - Student Occupied	837				(837)
Maintenance - Grounds	708				(708)
Pupil-To-School Transportation	0				0
Non-Instructional Programs					
Child Nutrition	2,384				(2,384)
Capital Assets - Student Occupied	995				(995)
Capital Assets - Non-Student Occupied	0				0
Total	<u>\$1,371,018</u>	<u>\$0</u>	<u>\$129,714</u>	<u>\$0</u>	<u>(1,241,304)</u>
General Revenues					
					21,783
Local Revenue					1,358,742
State Revenue					0
Federal Revenue					<u>1,380,525</u>
Total					
Change in Net Position					
					139,221
Net Position - Beginning					
					<u>427,510</u>
Net Position - Ending					
					<u><u>\$566,731</u></u>

THE ACADEMY

Balance Sheet - Governmental Funds

June 30, 2014

	<u>General Fund</u>	<u>Capital Construction Fund</u>	<u>Plant Facilities Fund</u>
Assets			
Cash	\$355,605	\$39,220	\$16,736
Receivables:			
Local Sources			
State Sources	34,839		
Federal Sources			
Due From Other Funds	39,007		
Total Assets	<u>\$429,451</u>	<u>\$39,220</u>	<u>\$16,736</u>
Liabilities			
Accounts Payable	\$3,810		
Due To Other Funds			
Salaries & Benefits Payable	73,819		
Unspent Grant Allocation			
Total Liabilities	<u>77,629</u>	<u>\$0</u>	<u>\$0</u>
Fund Balances			
Restricted:			
Special Programs			
Capital Projects		39,220	16,736
Unassigned	351,822		
Total Fund Balances	<u>351,822</u>	<u>39,220</u>	<u>16,736</u>
Total Liabilities and Fund Balances	<u>\$429,451</u>	<u>\$39,220</u>	<u>\$16,736</u>

THE ACADEMY

Balance Sheet - Governmental Funds

June 30, 2014

	Other Governmental Funds	Total Governmental Funds
	<u> </u>	<u> </u>
Assets		
Cash	\$0	\$411,561
Receivables:		
Local Sources	0	0
State Sources	0	34,839
Federal Sources	99,351	99,351
Due From Other Funds	0	39,007
Total Assets	<u>\$99,351</u>	<u>\$584,758</u>
 Liabilities		
Accounts Payable	\$0	\$3,810
Due To Other Funds	39,007	39,007
Salaries & Benefits Payable	0	73,819
Unspent Grant Allocation	60,344	60,344
Total Liabilities	<u>99,351</u>	<u>176,980</u>
 Fund Balances		
Restricted:		
Special Programs	0	0
Capital Projects	0	55,956
Unassigned	0	351,822
Total Fund Balances	<u>0</u>	<u>407,778</u>
Total Liabilities and Fund Balances	<u>\$99,351</u>	<u>\$584,758</u>

THE ACADEMY
Balance Sheet - Governmental Funds
June 30, 2014

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

Total Governmental Fund Balances \$407,778

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. 158,953

Net Position of Governmental Activities \$566,731

THE ACADEMY

Statement of Revenues, Expenditures, and Changes in Fund Balances -
Governmental Funds
Year Ended June 30, 2014

	<u>General Fund</u>	<u>Capital Construction Fund</u>	<u>Plant Facilities Fund</u>
Revenues			
Local Revenue	\$21,783		
State Revenue	1,358,742		
Federal Revenue			
Total Revenues	<u>1,380,525</u>	<u>\$0</u>	<u>\$0</u>
Expenditures			
Instructional Programs			
Elementary School	618,291	3,609	
Secondary School	138,189		
Special Education	60,787		
Gifted & Talented			
School Activity	417		
Support Service Programs			
Instructional Improvement	275		
Educational Media	9,672		
Instruction-Related Technology			
Board of Education	5,739		
District Administration	227,719		
Buildings - Care	181,630		
Maintenance - Student Occupied	837		
Maintenance - Grounds	708		
Pupil-To-School Transportation			
Non-Instructional Programs			
Child Nutrition	2,384		
Capital Assets - Student Occupied			
Capital Assets - Non-Student Occupied			
Total Expenditures	<u>1,246,648</u>	<u>3,609</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	133,877	(3,609)	0
Other Financing Sources (Uses)			
Transfers In	0	0	0
Transfers Out	0	0	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	133,877	(3,609)	0
Fund Balances - Beginning	217,945	42,829	16,736
Fund Balances - Ending	<u>\$351,822</u>	<u>\$39,220</u>	<u>\$16,736</u>

THE ACADEMY

Statement of Revenues, Expenditures, and Changes in Fund Balances -
Governmental Funds
Year Ended June 30, 2014

	Other Governmental Funds	Total Governmental Funds
Revenues		
Local Revenue	\$0	\$21,783
State Revenue	0	1,358,742
Federal Revenue	129,714	129,714
Total Revenues	129,714	1,510,239
Expenditures		
Instructional Programs		
Elementary School	91,665	713,565
Secondary School	0	138,189
Special Education	35,646	96,433
Gifted & Talented	0	0
School Activity	0	417
Support Service Programs		
Instructional Improvement	2,403	2,678
Educational Media	0	9,672
Instruction-Related Technology	0	0
Board of Education	0	5,739
District Administration	0	227,719
Buildings - Care	0	181,630
Maintenance - Student Occupied	0	837
Maintenance - Grounds	0	708
Pupil-To-School Transportation	0	0
Non-Instructional Programs		
Child Nutrition	0	2,384
Capital Assets - Student Occupied	0	0
Capital Assets - Non-Student Occupied	0	0
Total Expenditures	129,714	1,379,971
Excess (Deficiency) of Revenues Over Expenditures	0	130,268
Other Financing Sources (Uses)		
Transfers In	0	0
Transfers Out	0	0
Total Other Financing Sources (Uses)	0	0
Net Change in Fund Balances	0	130,268
Fund Balances - Beginning	0	277,510
Fund Balances - Ending	\$0	\$407,778

THE ACADEMY

Statement of Revenues, Expenditures, and Changes in Fund Balances -
Governmental Funds
Year Ended June 30, 2014

**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 \$130,268

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.

8,953

Change in Net Position of Governmental Activities

\$139,221

THE ACADEMY
Notes to Financial Statements

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 are prepared in accordance with generally accepted accounting principles (GAAP) as applied to charter schools. The governmental accounting standards board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the School are discussed 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 ACADEMY
Notes to Financial Statements

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.

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, deferred outflows of resources, liabilities, deferred inflows of resources, 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 and deferred outflows of resources, liabilities and deferred inflows of resources, revenues or 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.

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.

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.

THE ACADEMY
Notes to Financial Statements

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 less liabilities less deferred inflows of resources. The net investment in capital assets component of net position consists of the historical cost of capital assets less accumulated depreciation less any outstanding debt that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets. Restricted net position consists of assets that are subject to constraints on their use by creditors, grantors, contributors, legislation, and other parties. All other net position not reported as restricted or net investment in capital assets is 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 cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact. 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. Remaining fund balances are reported 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. The School's Form 990, Return of Organization Exempt from Income Tax, for the fiscal years ending

THE ACADEMY
Notes to Financial Statements

2014, 2013, and 2012 are subject to examination by the IRS, generally for three years after they are filed.

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.

B. CASH

Cash consists of the following at year end:

Cash - Deposits	\$411,561
Total	<u><u>\$411,561</u></u>

Deposits – At year end, the carrying amounts of the School's deposits were \$411,561 and the bank balances were \$425,556. Of the bank balances, \$292,323 was insured and the balance was uninsured and uncollateralized.

THE ACADEMY
Notes to Financial Statements

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:

	General Fund	Special Revenue Funds
State Sources		
Foundation Program	\$34,839	
Total	<u>\$34,839</u>	
Federal Sources		
Special Programs		\$99,351
Total		<u>\$99,351</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>
Nondepreciable Capital Assets				
Land	\$150,000			\$150,000
Total	<u>150,000</u>	<u>\$0</u>	<u>\$0</u>	<u>150,000</u>
Depreciable Capital Assets				
Buildings	0			0
Equipment	61,667	9,948		71,615
Subtotal	<u>61,667</u>	<u>9,948</u>	<u>0</u>	<u>71,615</u>
Accumulated Depreciation				
Buildings	0			0
Equipment	61,667	995		62,662
Subtotal	<u>61,667</u>	<u>995</u>	<u>0</u>	<u>62,662</u>
Total	<u>0</u>	<u>8,953</u>	<u>0</u>	<u>8,953</u>
Net Capital Assets	<u><u>\$150,000</u></u>	<u><u>\$8,953</u></u>	<u><u>\$0</u></u>	<u><u>\$158,953</u></u>

Depreciation expense of \$995 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 \$121,100.

Future minimum lease payments are estimated as follows:

<u>Year Ended</u>	
6/30/15	\$120,000
6/30/16	10,000
Total	<u><u>\$130,000</u></u>

THE ACADEMY
Notes to Financial Statements

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.

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, 2014, the required contribution rate as a percentage of covered payrolls for members was 6.79% for general members and 8.36% for police/firefighter members. The employer rate as a percentage of covered payroll was 11.32% for general members and 11.66% 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 \$91,016, \$89,370, and \$91,942, for the three years ended June 30, 2014, 2013, and 2012 respectively.

THE ACADEMY
Notes to Financial Statements

G. INTERFUND BALANCES

Interfund balances at year end consist of the following:

	<u>Due From Fund</u>	
	<u>Nonmajor</u>	
<u>Due To Fund</u>	<u>Governmental</u>	<u>Total</u>
General Fund	\$39,007	\$39,007
Total	<u>\$39,007</u>	<u>\$39,007</u>

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, 2014

General Fund	Budgeted Amounts		Actual	Final Budget
	(GAAP Basis)			Amounts
	Original	Final		Positive
				(Negative)
Revenues				
Local Revenue	\$0	\$0	\$21,783	\$21,783
State Revenue	1,365,039	1,365,039	1,358,742	(6,297)
Federal Revenue	0	0	0	0
Total Revenues	<u>1,365,039</u>	<u>1,365,039</u>	<u>1,380,525</u>	<u>15,486</u>
Expenditures				
Instructional Programs				
Elementary School	604,737	604,737	618,291	(13,554)
Secondary School	145,048	145,048	138,189	6,859
Special Education	65,682	65,682	60,787	4,895
Gifted & Talented	500	500	0	500
School Activity	2,500	2,500	417	2,083
Support Service Programs				
Instructional Improvement	1,500	1,500	275	1,225
Educational Media	9,505	9,505	9,672	(167)
Instruction-Related Technology	0	0	0	0
Board of Education	13,750	13,750	5,739	8,011
District Administration	222,775	222,775	227,719	(4,944)
Buildings - Care	190,418	190,418	181,630	8,788
Maintenance - Student Occupied	6,000	6,000	837	5,163
Maintenance - Grounds	5,000	5,000	708	4,292
Pupil-To-School Transportation	1,000	1,000	0	1,000
Non-Instructional Programs				
Child Nutrition	5,000	5,000	2,384	2,616
Capital Assets - Student Occupied	50,000	50,000	0	50,000
Capital Assets - Non-Student Occupied	0	0	0	0
Total Expenditures	<u>1,323,415</u>	<u>1,323,415</u>	<u>1,246,648</u>	<u>76,767</u> *
Excess (Deficiency) of Revenues				
Over Expenditures	41,624	41,624	133,877	92,253
Other Financing Sources (Uses)				
Transfers In	0	0	0	0
Transfers Out	0	0	0	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	41,624	41,624	133,877	92,253
Fund Balances - Beginning	53,557	53,557	217,945	164,388
Fund Balances - Ending	<u>\$95,181</u>	<u>\$95,181</u>	<u>\$351,822</u>	<u>\$256,641</u>
<i>*Total expenditures (over) under appropriations are:</i>				<u>\$76,767</u>

SUPPLEMENTARY INFORMATION

THE ACADEMY

Combining Balance Sheet - Nonmajor Governmental Funds

June 30, 2014

	Special Revenue Funds		
	Title I-A ESEA IBP	Special Educ. IDEA Part B School-Age	Title II-A Improving Teacher Quality
Assets			
Cash			
Receivables:			
Local Sources			
State Sources			
Federal Sources	\$48,022	\$41,693	\$9,636
Due From Other Funds			
Total Assets	<u>\$48,022</u>	<u>\$41,693</u>	<u>\$9,636</u>
Liabilities			
Accounts Payable			
Due To Other Funds	\$36,049		\$2,958
Salaries & Benefits Payable			
Unspent Grant Allocation	11,973	\$41,693	6,678
Total Liabilities	<u>48,022</u>	<u>41,693</u>	<u>9,636</u>
Fund Balances			
Restricted:			
Special Programs			
Capital Projects			
Unassigned			
Total Fund Balances	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities and Fund Balances	<u>\$48,022</u>	<u>\$41,693</u>	<u>\$9,636</u>

THE ACADEMY
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2014

	Total
Assets	
Cash	\$0
Receivables:	
Local Sources	0
State Sources	0
Federal Sources	99,351
Due From Other Funds	0
Total Assets	\$99,351
 Liabilities	
Accounts Payable	\$0
Due To Other Funds	39,007
Salaries & Benefits Payable	0
Unspent Grant Allocation	60,344
Total Liabilities	99,351
 Fund Balances	
Restricted:	
Special Programs	0
Capital Projects	0
Unassigned	0
Total Fund Balances	0
Total Liabilities and Fund Balances	\$99,351

THE ACADEMY

Combining Statement of Revenues, Expenditures, and Changes in
Fund Balances - Nonmajor Governmental Funds
Year Ended June 30, 2014

	Special Revenue Funds		
	Title I-A ESEA IBP	Special Educ. IDEA Part B School-Age	Title II-A Improving Teacher Quality
Revenues			
Local Revenue			
State Revenue			
Federal Revenue	\$91,665	\$35,646	\$2,403
Total Revenues	<u>91,665</u>	<u>35,646</u>	<u>2,403</u>
Expenditures			
Instructional Programs			
Elementary School	91,665		
Secondary School			
Special Education		35,646	
Gifted & Talented			
School Activity			
Support Service Programs			
Instructional Improvement			2,403
Educational Media			
Instruction-Related Technology			
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			
Total Expenditures	<u>91,665</u>	<u>35,646</u>	<u>2,403</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	0
Other Financing Sources (Uses)			
Transfers In	0	0	0
Transfers Out	0	0	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	0	0	0
Fund Balances - Beginning	0	0	0
Fund Balances - Ending	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>

THE ACADEMY

Combining Statement of Revenues, Expenditures, and Changes in
Fund Balances - Nonmajor Governmental Funds
Year Ended June 30, 2014

	<u>Total</u>
Revenues	
Local Revenue	\$0
State Revenue	0
Federal Revenue	129,714
Total Revenues	<u>129,714</u>
Expenditures	
Instructional Programs	
Elementary School	91,665
Secondary School	0
Special Education	35,646
Gifted & Talented	0
School Activity	0
Support Service Programs	
Instructional Improvement	2,403
Educational Media	0
Instruction-Related Technology	0
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
Total Expenditures	<u>129,714</u>
Excess (Deficiency) of Revenues Over Expenditures	0
Other Financing Sources (Uses)	
Transfers In	0
Transfers Out	0
Total Other Financing Sources (Uses)	<u>0</u>
Net Change in Fund Balances	0
Fund Balances - Beginning	0
Fund Balances - Ending	<u><u>\$0</u></u>

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, 2014, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated November 4, 2014.

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 2014-1 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
November 4, 2014

THE ACADEMY
Schedule of Findings and Responses
Year Ended June 30, 2014

FINDINGS - FINANCIAL STATEMENT AUDIT

Significant Deficiency

2014-1 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 – It is requested that the School take note that this situation exists and consider resolving it with the use of additional staff oversight and involvement in the accounting process.

Views of Responsible Officials and Planned Corrective Actions – 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 involving/hiring additional staff.