

THE ACADEMY

FINANCIAL STATEMENTS

Year Ended June 30, 2011

THE ACADEMY
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FINANCIAL SECTION

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Independent Auditor's Report

Board of Directors
The Academy

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of The Academy (the School) as of and for the year ended June 30, 2011, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School as of June 30, 2011 and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 9, 2011 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, and historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, and historical context. Our opinion on the basic financial statements is not affected by this missing information.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School's financial statements as a whole. The accompanying combining fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Folke CPAs, P.C.

September 9, 2011

BASIC FINANCIAL STATEMENTS

THE ACADEMY
Statement of Net Assets
June 30, 2011

	<u>Governmental Activities</u>
Assets	
Current Assets	
Cash	\$197,678
Receivables:	
Local Sources	0
State Sources	91,298
Federal Sources	292,644
Total Current Assets	<u>581,620</u>
Noncurrent Assets	
Nondepreciable Capital Assets	0
Depreciable Net Capital Assets	17,024
Total Noncurrent Assets	<u>17,024</u>
Total Assets	<u><u>\$598,644</u></u>
 Liabilities	
Current Liabilities	
Accounts Payable	\$0
Salaries & Benefits Payable	81,504
Deferred Revenue	76,088
Total Current Liabilities	<u>157,592</u>
Total Liabilities	<u>157,592</u>
 Net Assets	
Invested in Capital Assets	17,024
Restricted:	
Special Programs	102,076
Capital Projects	234,287
Unrestricted	87,665
Total Net Assets	<u>441,052</u>
Total Liabilities and Net Assets	<u><u>\$598,644</u></u>

THE ACADEMY
Statement of Activities
Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue And Changes in Net Assets
		Charges For Services	Operating Grants And Contributions	
Governmental Activities				
Instructional Programs				
Elementary School	\$751,639		\$162,183	(\$589,456)
Secondary School	154,798			(154,798)
Exceptional Child	142,037		81,257	(60,780)
Gifted & Talented	0			0
School Activity	186			(186)
Support Service Programs				
Instructional Improvement	14,521		14,221	(300)
Educational Media	8,489			(8,489)
Instruction-Related Technology	2,773		2,773	0
Board of Education	7,632			(7,632)
District Administration	312,273			(312,273)
Buildings - Care	200,946			(200,946)
Maintenance - Student Occupied	1,614			(1,614)
Maintenance - Grounds	901			(901)
Pupil-To-School Transportation	16			(16)
Non-Instructional Programs				
Child Nutrition	13,412			(13,412)
Capital Assets - Student Occupied	8,810			(8,810)
Capital Assets - Non-Student Occupied	0			0
Total	<u>\$1,620,047</u>	<u>\$0</u>	<u>\$260,434</u>	<u>(\$1,359,613)</u>
General Revenues				
Local Revenue				153,525
State Revenue				1,355,001
Federal Revenue				
Total				<u>1,508,526</u>
Change in Net Assets				148,913
Net Assets - Beginning				292,139
Net Assets - Ending				<u>\$441,052</u>

THE ACADEMY
 Balance Sheet - Governmental Funds
 June 30, 2011

	General Fund	Albertsons Fund	Capital Construction Fund	Plant Facilities Fund
Assets				
Cash	\$70,185	\$100,000	\$8,681	\$16,736
Receivables:				
Local Sources				
State Sources	91,298			
Federal Sources				
Due From Other Funds			208,870	
Total Assets	<u>\$161,483</u>	<u>\$100,000</u>	<u>\$217,551</u>	<u>\$16,736</u>
Liabilities				
Accounts Payable				
Due To Other Funds				
Salaries & Benefits Payable	\$73,818			
Deferred Revenue				
Total Liabilities	<u>73,818</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Fund Balances				
Restricted:				
Special Programs		100,000		
Capital Projects			217,551	16,736
Unassigned	87,665			
Total Fund Balances	<u>87,665</u>	<u>100,000</u>	<u>217,551</u>	<u>16,736</u>
Total Liabilities and Fund Balances	<u>\$161,483</u>	<u>\$100,000</u>	<u>\$217,551</u>	<u>\$16,736</u>

THE ACADEMY

Balance Sheet - Governmental Funds

June 30, 2011

	Other Governmental Funds	Total Governmental Funds
Assets		
Cash	\$2,076	\$197,678
Receivables:		
Local Sources	0	0
State Sources	0	91,298
Federal Sources	292,644	292,644
Due From Other Funds	0	208,870
Total Assets	<u>\$294,720</u>	<u>\$790,490</u>
Liabilities		
Accounts Payable	\$0	\$0
Due To Other Funds	208,870	208,870
Salaries & Benefits Payable	7,686	81,504
Deferred Revenue	76,088	76,088
Total Liabilities	<u>292,644</u>	<u>366,462</u>
Fund Balances		
Restricted:		
Special Programs	2,076	102,076
Capital Projects	0	234,287
Unassigned	0	87,665
Total Fund Balances	<u>2,076</u>	<u>424,028</u>
Total Liabilities and Fund Balances	<u>\$294,720</u>	<u>\$790,490</u>

THE ACADEMY
Balance Sheet - Governmental Funds
June 30, 2011

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

Total Governmental Fund Balances \$424,028

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 17,024

Net Assets of Governmental Activities \$441,052

THE ACADEMY

Statement of Revenues, Expenditures, and Changes in Fund Balances -
Governmental Funds
Year Ended June 30, 2011

	<u>General Fund</u>	<u>Albertsons Fund</u>	<u>Capital Construction Fund</u>	<u>Plant Facilities Fund</u>
Revenues				
Local Revenue	\$49,204	\$100,000	\$4,321	
State Revenue	1,357,774			
Federal Revenue				
Total Revenues	<u>1,406,978</u>	<u>100,000</u>	<u>4,321</u>	<u>\$0</u>
Expenditures				
Instructional Programs				
Elementary School	584,306		5,150	
Secondary School	154,798			
Exceptional Child	60,780			
Gifted & Talented				
School Activity	186			
Support Service Programs				
Instructional Improvement	300			
Educational Media	8,489			
Instruction-Related Technology				
Board of Education	7,632			
District Administration	312,273			
Buildings - Care	200,946			
Maintenance - Student Occupied	1,614			
Maintenance - Grounds	901			
Pupil-To-School Transportation	16			
Non-Instructional Programs				
Child Nutrition	13,412			
Capital Assets - Student Occupied				
Capital Assets - Non-Student Occupied				
Total Expenditures	<u>1,345,653</u>	<u>0</u>	<u>5,150</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	61,325	100,000	(829)	0
Other Financing Sources (Uses)				
Transfers In				
Transfers Out				
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	61,325	100,000	(829)	0
Fund Balances - Beginning	26,340	0	218,380	16,736
Fund Balances - Ending	<u>\$87,665</u>	<u>\$100,000</u>	<u>\$217,551</u>	<u>\$16,736</u>

THE ACADEMY

Statement of Revenues, Expenditures, and Changes in Fund Balances -
 Governmental Funds
 Year Ended June 30, 2011

	Other Governmental Funds	Total Governmental Funds
Revenues		
Local Revenue	\$0	\$153,525
State Revenue	0	1,357,774
Federal Revenue	257,661	257,661
Total Revenues	<u>257,661</u>	<u>1,768,960</u>
Expenditures		
Instructional Programs		
Elementary School	162,183	751,639
Secondary School	0	154,798
Exceptional Child	81,257	142,037
Gifted & Talented	0	0
School Activity	0	186
Support Service Programs		
Instructional Improvement	14,221	14,521
Educational Media	0	8,489
Instruction-Related Technology	2,773	2,773
Board of Education	0	7,632
District Administration	0	312,273
Buildings - Care	0	200,946
Maintenance - Student Occupied	0	1,614
Maintenance - Grounds	0	901
Pupil-To-School Transportation	0	16
Non-Instructional Programs		
Child Nutrition	0	13,412
Capital Assets - Student Occupied	0	0
Capital Assets - Non-Student Occupied	0	0
Total Expenditures	<u>260,434</u>	<u>1,611,237</u>
Excess (Deficiency) of Revenues Over Expenditures	(2,773)	157,723
Other Financing Sources (Uses)		
Transfers In	0	0
Transfers Out	0	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>
Net Change in Fund Balances	(2,773)	157,723
Fund Balances - Beginning	4,849	266,305
Fund Balances - Ending	<u>\$2,076</u>	<u>\$424,028</u>

THE ACADEMY

Statement of Revenues, Expenditures, and Changes in Fund Balances -
Governmental Funds
Year Ended June 30, 2011

**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 \$157,723

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 (8,810)

Change in Net Assets of Governmental Activities \$148,913

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

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

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

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

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

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

THE ACADEMY
Notes to Financial Statements

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

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

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

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

Special Revenue Funds – Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. Major special revenue funds include the Albertsons fund, which is used to account for certain funding for general operations.

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

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

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

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual (when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or within thirty days after year end. Expenditures are recorded when the related fund liability is incurred. Exceptions to this general rule include principal and interest on long-term debt which, if any, are recognized when due and payable.

THE ACADEMY
Notes to Financial Statements

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

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

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

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

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

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

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

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

THE ACADEMY
Notes to Financial Statements

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

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

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

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

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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

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

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

THE ACADEMY
Notes to Financial Statements

B. CASH

Cash consists of the following at year end:

Cash - Deposits	\$197,678
Total	\$197,678

Deposits – At year end, the carrying amounts of the School's deposits were \$197,678 and the bank balances were \$233,847. Of the bank balances, \$233,847 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:

	General Fund	Special Revenue Funds
Local Sources		
Other Local Sources	\$0	
Total	\$0	
State Sources		
Foundation Program	\$25,531	
Special Programs	65,767	
Total	\$91,298	
Federal Sources		
Special Programs		\$292,644
Total		\$292,644

THE ACADEMY
Notes to Financial Statements

D. DEFERRED REVENUE

Deferred revenue consists of the following at year end:

<u>Description</u>	<u>Fund Financial Statements</u>	<u>Government Wide Financial Statements</u>
Grant Advances	\$76,088	\$76,088
Total	<u>\$76,088</u>	<u>\$76,088</u>

E. CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Nondepreciable Capital Assets				
Land	\$0			\$0
Total	<u>0</u>	<u>\$0</u>	<u>\$0</u>	<u>0</u>
Depreciable Capital Assets				
Buildings	0			0
Equipment	61,667			61,667
Subtotal	<u>61,667</u>	<u>0</u>	<u>0</u>	<u>61,667</u>
Accumulated Depreciation				
Buildings	0			0
Equipment	35,833	8,810		44,643
Subtotal	<u>35,833</u>	<u>8,810</u>	<u>0</u>	<u>44,643</u>
Total	<u>25,834</u>	<u>(8,810)</u>	<u>0</u>	<u>17,024</u>
Net Capital Assets	<u>\$25,834</u>	<u>(\$8,810)</u>	<u>\$0</u>	<u>\$17,024</u>

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

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Notes to Financial Statements

F. OPERATING LEASE

The School leases its premises under a five year operating lease ending July 31, 2011. Thereafter, the premises will be leased on a month-to-month basis. The lease calls for monthly payments of \$11,200 per month. Under the lease, the School is responsible for customary insurance coverage, routine maintenance, and utilities. Lease payments during the fiscal year totaled \$134,400.

Future minimum lease payments are estimated as follows:

Year Ended	
6/30/12	<u>\$11,200</u>
Total	<u><u>\$11,200</u></u>

G. RETIREMENT PLAN

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

PERSI issues publicly available 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, 2011, 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. The School's employer contributions required and paid were \$96,259, \$92,783, and \$79,660, for the three years ended June 30, 2011, 2010, and 2009 respectively.

THE ACADEMY
Notes to Financial Statements

H. 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>
Capital Construction	\$208,870	\$208,870
Total	<u>\$208,870</u>	<u>\$208,870</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 SUPPLEMENTAL INFORMATION

THE ACADEMY
 Budgetary Comparison Schedule -
 General and Major Special Revenue Funds
 Year Ended June 30, 2011

General Fund	Budgeted Amounts		Actual	Final Budget
	(GAAP Basis)			
	Original	Final	Amounts	Variance
				Positive
				(Negative)
Revenues				
Local Revenue			\$49,204	\$49,204
State Revenue	\$1,356,287	\$1,356,287	1,357,774	1,487
Federal Revenue			0	0
Total Revenues	<u>1,356,287</u>	<u>1,356,287</u>	<u>1,406,978</u>	<u>50,691</u>
Expenditures				
Instructional Programs				
Elementary School	596,828	596,828	584,306	12,522
Secondary School	136,913	136,913	154,798	(17,885)
Exceptional Child	95,102	95,102	60,780	34,322
Gifted & Talented			0	0
School Activity	1,000	1,000	186	814
Support Service Programs				
Instructional Improvement	3,250	3,250	300	2,950
Educational Media	9,708	9,708	8,489	1,219
Instruction-Related Technology			0	0
Board of Education	10,000	10,000	7,632	2,368
District Administration	302,755	302,755	312,273	(9,518)
Buildings - Care	207,000	207,000	200,946	6,054
Maintenance - Student Occupied	2,500	2,500	1,614	886
Maintenance - Grounds	5,000	5,000	901	4,099
Pupil-To-School Transportation	750	750	16	734
Non-Instructional Programs				
Child Nutrition	18,000	18,000	13,412	4,588
Capital Assets - Student Occupied			0	0
Capital Assets - Non-Student Occupied			0	0
Total Expenditures	<u>1,388,806</u>	<u>1,388,806</u>	<u>1,345,653</u>	<u>43,153</u> *
Excess (Deficiency) of Revenues				
Over Expenditures	(32,519)	(32,519)	61,325	93,844
Other Financing Sources (Uses)				
Transfers In			0	0
Transfers Out			0	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	(32,519)	(32,519)	61,325	93,844
Fund Balances - Beginning	122,309	122,309	26,340	(95,969)
Fund Balances - Ending	<u>\$89,790</u>	<u>\$89,790</u>	<u>\$87,665</u>	<u>(\$2,125)</u>

*Total expenditures (over) under appropriations.

THE ACADEMY

Budgetary Comparison Schedule -
General and Major Special Revenue Funds
Year Ended June 30, 2011

Albertsons Fund	Budgeted Amounts (GAAP Basis)		Actual Amounts	Final Budget Variance Positive (Negative)
	Original	Final		
Revenues				
Local Revenue			\$100,000	\$100,000
State Revenue			0	0
Federal Revenue			0	0
Total Revenues	<u>\$0</u>	<u>\$0</u>	<u>100,000</u>	<u>100,000</u>
Expenditures				
Instructional Programs				
Elementary School			0	0
Secondary School			0	0
Exceptional Child			0	0
Gifted & Talented			0	0
School Activity			0	0
Support Service Programs				
Instructional Improvement			0	0
Educational Media			0	0
Instruction-Related Technology			0	0
Board of Education			0	0
District Administration			0	0
Buildings - Care			0	0
Maintenance - Student Occupied			0	0
Maintenance - Grounds			0	0
Pupil-To-School Transportation			0	0
Non-Instructional Programs				
Child Nutrition			0	0
Capital Assets - Student Occupied			0	0
Capital Assets - Non-Student Occupied			0	0
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u> *
Excess (Deficiency) of Revenues Over Expenditures				
	0	0	100,000	100,000
Other Financing Sources (Uses)				
Transfers In			0	0
Transfers Out			0	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	<u>0</u>	<u>0</u>	<u>100,000</u>	<u>100,000</u>
Fund Balances - Beginning	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances - Ending	<u>\$0</u>	<u>\$0</u>	<u>\$100,000</u>	<u>\$100,000</u>

*Total expenditures (over) under appropriations.

SUPPLEMENTARY INFORMATION

THE ACADEMY
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2011

	Special Revenue Funds			
	Technology	Title I-A ESEA IBP	Special Educ. IDEA Part B	Title II-A Improving Teacher Quality
Assets				
Cash	\$2,076			
Receivables:				
Local Sources				
State Sources				
Federal Sources		\$189,730	\$76,310	\$26,604
Due From Other Funds				
Total Assets	<u>\$2,076</u>	<u>\$189,730</u>	<u>\$76,310</u>	<u>\$26,604</u>
Liabilities				
Accounts Payable				
Due To Other Funds		\$146,619	\$48,089	\$14,162
Salaries & Benefits Payable		7,686		
Deferred Revenue		35,425	28,221	12,442
Total Liabilities	<u>\$0</u>	<u>189,730</u>	<u>76,310</u>	<u>26,604</u>
Fund Balances				
Restricted:				
Special Programs	2,076	0	0	0
Capital Projects				
Unassigned				
Total Fund Balances	<u>2,076</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities and Fund Balances	<u>\$2,076</u>	<u>\$189,730</u>	<u>\$76,310</u>	<u>\$26,604</u>

THE ACADEMY
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2011

	Special Revenue Funds	
	Charter School Dissemination Grant	Total
Assets		
Cash		\$2,076
Receivables:		
Local Sources		0
State Sources		0
Federal Sources		292,644
Due From Other Funds		0
Total Assets	\$0	\$294,720
 Liabilities		
Accounts Payable		\$0
Due To Other Funds		208,870
Salaries & Benefits Payable		7,686
Deferred Revenue		76,088
Total Liabilities	\$0	292,644
 Fund Balances		
Restricted:		
Special Programs	0	2,076
Capital Projects		0
Unassigned		0
Total Fund Balances	0	2,076
Total Liabilities and Fund Balances	\$0	\$294,720

THE ACADEMY

Combining Statement of Revenues, Expenditures, and Changes in
Fund Balances - Nonmajor Governmental Funds
Year Ended June 30, 2011

	Special Revenue Funds			
	Technology	Title I-A ESEA IBP	Special Educ. IDEA Part B	Title II-A Improving Teacher Quality
Revenues				
Local Revenue				
State Revenue				
Federal Revenue		\$127,183	\$81,257	\$14,221
Total Revenues	\$0	127,183	81,257	14,221
Expenditures				
Instructional Programs				
Elementary School		127,183		
Secondary School				
Exceptional Child			81,257	
Gifted & Talented				
School Activity				
Support Service Programs				
Instructional Improvement				14,221
Educational Media				
Instruction-Related Technology	2,773			
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	2,773	127,183	81,257	14,221
Excess (Deficiency) of Revenues Over Expenditures	(2,773)	0	0	0
Other Financing Sources (Uses)				
Transfers In				
Transfers Out				
Total Other Financing Sources (Uses)	0	0	0	0
Net Change in Fund Balances	(2,773)	0	0	0
Fund Balances - Beginning	4,849	0	0	0
Fund Balances - Ending	\$2,076	\$0	\$0	\$0

THE ACADEMY

Combining Statement of Revenues, Expenditures, and Changes in
Fund Balances - Nonmajor Governmental Funds
Year Ended June 30, 2011

	<u>Special Revenue Funds</u>	
	<u>Charter School Dissemination Grant</u>	<u>Total</u>
Revenues		
Local Revenue		\$0
State Revenue		0
Federal Revenue	\$35,000	257,661
Total Revenues	<u>35,000</u>	<u>257,661</u>
Expenditures		
Instructional Programs		
Elementary School	35,000	162,183
Secondary School		0
Exceptional Child		81,257
Gifted & Talented		0
School Activity		0
Support Service Programs		
Instructional Improvement		14,221
Educational Media		0
Instruction-Related Technology		2,773
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>35,000</u>	<u>260,434</u>
Excess (Deficiency) of Revenues Over Expenditures	0	(2,773)
Other Financing Sources (Uses)		
Transfers In		0
Transfers Out		0
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>
Net Change in Fund Balances	0	(2,773)
Fund Balances - Beginning	0	4,849
Fund Balances - Ending	<u>\$0</u>	<u>\$2,076</u>

OTHER REPORTS AND SCHEDULES

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

Board of Directors
The Academy

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of The Academy (the School) as of and for the year ended June 30, 2011, which collectively comprise the School's basic financial statements and have issued our report thereon dated September 9, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and responses as B-1 that we consider to be a significant deficiency in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

This report is intended solely for the information and use of the management, those charged with governance, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Folke CPAs, P.C.

September 9, 2011

THE ACADEMY
Schedule of Findings and Responses
Year Ended June 30, 2011

A. SUMMARY OF AUDITOR'S RESULTS

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

B. FINDINGS - FINANCIAL STATEMENT AUDIT

Significant Deficiency

1. *Segregation of Duties*

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

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

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

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

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