

**FALCON RIDGE CHARTER SCHOOL**

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Report on Audited  
Basic  
Financial Statements  
and  
Additional Information

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For the Year Ended June 30, 2011

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Title Page

FALCON RIDGE CHARTER SCHOOL  
PO Box 326  
Kuna, ID 83634

**Board of Directors**

Bob Purbeck

Chairperson

Vaughn Goodman

Vice-Chairperson

Jim Negomir

Secretary

Earl Rice

Treasurer

Joe Hyde

Director

**Administrators**

Mark Green

Administrator

Alice Heida

Clerk/Business Manager



Certified Public Accountants

Jared Zwuygart, CPA  
Weston Flamm, CPA  
James Washburn, CPA

812-B 12th Ave. South  
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## Independent Auditor's Report

To the Board of Directors  
Falcon Ridge Charter School  
Kuna, Idaho

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of **Falcon Ridge Charter School** (the Charter), as of and for the year ended June 30, 2011, which collectively comprise the Charter's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Charter's management. 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 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 the 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 **Falcon Ridge Charter 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 6, 2011, on our consideration of **Falcon Ridge Charter School's** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 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 comparison information on pages 21 through 23 be presented to supplement the basic financial statements. Such 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, or 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 the 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 a management's discussion and analysis 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, or 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 **Falcon Ridge Charter School's** financial statements as a whole. The supplemental information (pages 24 to 29) is presented for purposes of additional analysis and is not a required part of the financial statements. The supplemental 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 to 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.

*Bailey & Co.*

Nampa, Idaho  
September 6, 2011

**Falcon Ridge Charter School**  
**Statement of Net Assets**  
June 30, 2011

	<b>Governmental Activities</b>
<b>Assets</b>	
Cash and Cash Equivalents	\$ 446,489
Intergovernmental Receivable, Net	133,075
Prepaid Expenses	1,513
Capital Assets:	
Land	835,095
Improvements, Net	150,633
Equipment, Net	18,814
Total Capital Assets	1,004,542
<b>Total Assets</b>	<b>1,585,619</b>
 <b>Liabilities</b>	
Salaries and Benefits Payable	60,660
<b>Total Liabilities</b>	<b>60,660</b>
 <b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	1,004,542
Restricted:	
Prepaid Expenses	1,513
Special Revenue	258,499
Unrestricted (Deficit)	260,405
<b>Total Net Assets</b>	<b>\$ 1,524,959</b>

The accompanying notes are an integral  
part of the financial statements.

**Falcon Ridge Charter School**  
**Statement of Activities**  
For the Year Ended June 30, 2011

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets -
Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
<b>Primary Government:</b>					
Governmental Activities:					
Instruction	\$ 657,687	\$ 0	\$ 167,985	\$ 0	\$ (489,702)
Support Services	503,765	0	23,549	0	(480,216)
Food Service	46,310	25,523	30,250	0	9,463
Interest	11,362	0	0	0	(11,362)
<b>Total Governmental Activities</b>	<b>\$ 1,219,124</b>	<b>\$ 25,523</b>	<b>\$ 221,784</b>	<b>\$ 0</b>	<b>(971,817)</b>
		General Revenues:			
					1,339,216
					3,910
					1,343,126
					371,309
					1,153,650
					<b>\$ 1,524,959</b>

The accompanying notes are an integral  
part of the financial statements.

**Falcon Ridge Charter School**  
 Balance Sheet -  
 Governmental Funds  
 June 30, 2011

	<u>Capital Projects</u>			Other Governmental Funds	Total Governmental Funds
	General	Lottery	Building Reserve		
<b>Assets</b>					
Cash and Cash Equivalents	\$ 187,990	\$ 0	\$ 250,903	\$ 7,596	\$ 446,489
Receivables, Net:					
Intergovernmental	133,075	0	0	0	133,075
Prepaid Expenses	1,513	0	0	0	1,513
<b>Total Assets</b>	<u>\$ 322,578</u>	<u>\$ 0</u>	<u>\$ 250,903</u>	<u>\$ 7,596</u>	<u>\$ 581,077</u>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Salaries and Benefits Payable	\$ 60,660	\$ 0	\$ 0	\$ 0	\$ 60,660
<b>Total Liabilities</b>	<u>60,660</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>60,660</u>
Fund Balances:					
Nonspendable	1,513	0	0	0	1,513
Restricted	0	0	250,903	7,596	258,499
Unassigned	260,405	0	0	0	260,405
<b>Total Fund Balances</b>	<u>261,918</u>	<u>0</u>	<u>250,903</u>	<u>7,596</u>	<u>520,417</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 322,578</u>	<u>\$ 0</u>	<u>\$ 250,903</u>	<u>\$ 7,596</u>	<u>\$ 581,077</u>

The accompanying notes are an integral  
 part of the financial statements.

**Falcon Ridge Charter School**  
Reconciliation of the Balance Sheet of the Governmental Funds  
to the Statement of Net Assets  
June 30, 2011

Total Fund Balances - Governmental Funds \$ 520,417

Amounts reported for governmental activities in the Statement of Net Assets are different because of the following:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds. Those assets consist of:

Land	\$ 835,095	
Improvements, Net of \$73,426 Accumulated Depreciation	150,633	
Equipment, Net of \$5,608 Accumulated Depreciation	<u>18,814</u>	
		<u>1,004,542</u>

Total Net Assets-Governmental Activities \$ 1,524,959

The accompanying notes are an integral  
part of the financial statements.

**Falcon Ridge Charter School**  
Statement of Revenues, Expenditures, and  
Changes in Fund Balances -  
Governmental Funds  
For the Year Ended June 30, 2011

	<u>Capital Projects</u>			Other Governmental Funds	Total Governmental Funds
	<u>General</u>	<u>Lottery</u>	<u>Building Reserve</u>		
<b>Revenues</b>					
State	\$ 1,332,371	\$ 0	\$ 0	\$ 6,845	\$ 1,339,216
Grants and Contributions	116,150	0	0	105,634	221,784
Other	0	0	0	25,523	25,523
Investment Interest	3,755	0	155	0	3,910
<b>Total Revenues</b>	<u>1,452,276</u>	<u>0</u>	<u>155</u>	<u>138,002</u>	<u>1,590,433</u>
<b>Expenditures</b>					
Current:					
Instruction	591,000	0	0	66,687	657,687
Support Services	446,501	0	0	33,223	479,724
Non-Instructional	1,196	0	0	45,114	46,310
Debt Service:					
Principal	194,597	35,403	0	0	230,000
Interest	12,638	0	0	0	12,638
Capital Outlay	5,501	0	0	0	5,501
<b>Total Expenditures</b>	<u>1,251,433</u>	<u>35,403</u>	<u>0</u>	<u>145,024</u>	<u>1,431,860</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>200,843</u>	<u>(35,403)</u>	<u>155</u>	<u>(7,022)</u>	<u>158,573</u>
<b>Other Financing Sources (Uses)</b>					
Transfers In	102,095	0	250,748	2,829	355,672
Transfers Out	(353,577)	0	0	(2,095)	(355,672)
<b>Total Other Financing Sources (Uses)</b>	<u>(251,482)</u>	<u>0</u>	<u>250,748</u>	<u>734</u>	<u>0</u>
<b>Net Change in Fund Balances</b>	(50,639)	(35,403)	250,903	(6,288)	158,573
Fund Balances - Beginning	312,557	35,403	0	13,884	361,844
Fund Balances - Ending	<u>\$ 261,918</u>	<u>\$ 0</u>	<u>\$ 250,903</u>	<u>\$ 7,596</u>	<u>\$ 520,417</u>

The accompanying notes are an integral  
part of the financial statements.

**Falcon Ridge Charter School**  
 Reconciliation of the Statement of Revenues,  
 Expenditures, and Changes in Fund Balances of the  
 Governmental Funds to the Statement of Activities  
 For the Year Ended June 30, 2011

Total Net Change in Fund Balance - Governmental Funds \$ 158,573

Amounts reported for governmental activities in the Statement of Activities are different because of the following:

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the costs of those assets are allocated over their useful lives as depreciation expense. In the current period these amounts are:

Capital Outlay	\$	0	
Depreciation Expense		(18,540)	
Net			(18,540)

Interest on long-term debt is reported in the governmental funds when due but is accrued in the Statement of Activities. This is the difference between the amount accrued at the beginning and end of the current period. 1,276

Repayment of loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 230,000

Change in Net Assets of Governmental Activities \$ 371,309

The accompanying notes are an integral  
 part of the financial statements.

**Falcon Ridge Charter School**  
Notes to Financial Statements  
For the Year Ended June 30, 2011

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The accompanying financial statements present the activities of **Falcon Ridge Charter School** (the Charter). The Charter receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the Charter is not included in any other governmental reporting entity as defined by generally accepted accounting principles. Board members are volunteers and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the Charter's reporting entity does not contain any component units as defined in Governmental Accounting Standards.

B. Basis of Presentation, Basis of Accounting

Basis of Presentation

*Government-wide Statements:* The Statement of Net Assets and the Statement of Activities display information about the financial activities of the Charter, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through intergovernmental revenues and other nonexchange transactions.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Charter's governmental activities.

- Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function.
- Indirect expenses—expenses of the general government related to the administration and support of the Charter's programs, such as personnel and accounting (but not interest on long-term debt)—are allocated to programs based on their percentage of total primary government expenses. Interest expenses are allocated to the programs that manage the capital assets financed with long-term debt.
- Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all state formula aid, are presented as general revenues.

**Falcon Ridge Charter School**  
Notes to Financial Statements  
For the Year Ended June 30, 2011

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

*Fund Financial Statements:* The fund financial statements provide information about the Charter's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The Charter reports the following major governmental funds:

- *General fund.* This is the Charter's primary operating fund. It accounts for all financial resources of the Charter, except those required to be accounted for in another fund.
- *Lottery fund.* This fund accounts for the receipt and expenditure of funds received from the state from Lottery money.
- *Building Reserve fund.* This fund accounts for the receipt and expenditure of funds to be used for the purchase and construction of capital facilities.

Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Charter receives value without directly giving equal value in return, include grants and donations. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Charter considers all revenues reported in the governmental funds to be available if they are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, and claims and judgments, which are recognized as expenditures to the extent they have matured.

General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities and acquisitions under capital leases are reported as other financing sources.

**Falcon Ridge Charter School**  
Notes to Financial Statements  
For the Year Ended June 30, 2011

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Balance Reporting in Governmental Funds

Different measurement focuses and bases of accounting are used in the government-wide Statement of Net Assets and in the governmental fund Balance Sheet.

The Charter uses the following fund balance categories:

- *Nonspendable*. Balances, for example, in permanent funds, prepaid expenses, and inventories that are permanently precluded from conversion to cash.
- *Restricted*. Balances constrained to a specific purpose by enabling legislation, external parties, or constitutional provisions.
- *Committed*. Balances that are constrained by the highest level of decision making authority of the entity – the Board of Directors. A board resolution must be passed to establish, modify, and/or rescind constraints.
- *Assigned*. Balances intended for a specific purpose authorized by the Administrator and Business Manager.
- *Unassigned*. Balances available for any purpose.

Under the terms of grant agreements, the Charter funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. When both restricted and unrestricted resources are available for use, it is the Charter's policy to use restricted resources first, then unrestricted resources as they are needed.

It is the Charter's policy that when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance could be used, the Charter considers committed amounts to be reduced first, followed by assigned amounts, and then unassigned amounts.

All special revenue funds are restricted by the federal government and must be spent according to the stipulations of the corresponding federal program. The State of Idaho requires that capital projects be accounted for in their own fund. The Charter has also passed a resolution to commit funds for a building. Therefore, the fund balance in the capital project Building Reserve fund is considered committed.

The Charter established a stabilization amount in the General fund of \$100,000 to be used for operations in the event of a budget shortfall. This amount is considered unassigned as it does not meet the criteria of the other fund balance categories.

**Falcon Ridge Charter School**  
Notes to Financial Statements  
For the Year Ended June 30, 2011

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Assets and Liabilities

Cash Equivalents

The Charter requires all cash belonging to the Charter to be placed in custody of the Clerk/Business Manager. A "Pooled Cash" concept is therefore used in maintaining the cash and investment accounts in the accounting records. Under this method, all cash is pooled for investment purposes and each fund has equity in the pooled amount. All amounts included in the pooled cash and investment accounts are considered to be cash and cash equivalents. See Note 2.

Receivables

All trade and intergovernmental receivables are shown net of an allowance for uncollectibles.

Property Tax Calendar

The Charter receives no property tax revenue.

Capital Assets

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed assets are reported at estimated fair value at the time received.

Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements are shown below.

	<u>Capitalization Policy</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings and improvements	\$ 5,000	Straight-line	20-50 years
Equipment	\$ 5,000	Straight-line	7-10 years

Depreciation is used to allocate the actual or estimated historical cost of all capital assets over their estimated useful lives.

The Charter has no infrastructure to report.

**Falcon Ridge Charter School**  
Notes to Financial Statements  
For the Year Ended June 30, 2011

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Compensated Absences

The Charter provides sick leave and vacation to the full-time non-certified employees. The estimated amount of compensation for further amounts is believed to be immaterial and accordingly no liability has been recorded.

Accounts Payable

Accounts payable represent debts that will be paid in the next billing cycle. Accounts payable are not over 60 days past due.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. CASH DEPOSITS

Summary of Deposit Balances

The Charter maintains a non-interest bearing cash account for use by all funds. The interest bearing cash accounts are maintained in the General Fund.

Deposits

As of June 30, 2011, the carrying amount of the Charter's deposits was \$446,289 and the respective bank balances totaled \$448,930. Of the total bank balance, \$448,027 was insured or collateralized with pooled securities held by the pledging institution in the name of the Charter.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Charter's deposits may not be returned. As of June 30, 2011, \$903 of the Charter's deposits were not covered by federal depository insurance or by collateral held by the Charter's agent or pledging financial institution's trust department or agent in the name of the Charter, and

**Falcon Ridge Charter School**  
Notes to Financial Statements  
For the Year Ended June 30, 2011

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2. CASH DEPOSITS (continued)

thus the Charter was exposed to custodial credit risk. The Charter does not have a formal policy limiting its exposure to custodial credit risk.

Investments

The Charter follows Idaho Statute that outlines qualifying investment options as follows:

Idaho Code authorizes the Charter to invest any available funds in obligations issued or guaranteed by the United States Treasury, the State of Idaho, local Idaho municipalities and taxing districts, the Farm Credit System, or Idaho public corporations, as well as time deposit accounts and repurchase agreements.

However, as of June 30, 2011, the Charter had no investments.

Deposits

At year-end, cash was reported in the basic financial statements in the following categories:

	Governmental
	<u>Activities</u>
Cash and cash equivalents	\$ <u>446,489</u>

3. PENSION PLAN

The 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 five 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.

**Falcon Ridge Charter School**  
Notes to Financial Statements  
For the Year Ended June 30, 2011

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3. PENSION PLAN (continued)

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

The actuarially determined contribution requirements of the Charter 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% (7.65% + .04% effective March 1, 2010) 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 Charter employer contributions required and paid were \$58,876, \$61,805 and \$67,936 for the years ended June 30, 2011, 2010, and 2009, respectively.

4. CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Charter expects such amounts, if any, to be immaterial.

5. RISK MANAGEMENT

The Charter is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Charter has transferred most of its risk by purchasing commercial insurance.

Workman's Compensation insurance is purchased through the Idaho State Insurance Fund. Employee health and accident insurance is purchased through Blue Cross of Idaho. All other insurance has been purchased through Moreton & Company.

6. INTERGOVERNMENTAL RECEIVABLES

Amounts due from other governments consist of \$71,103, as a reimbursement from the State of Idaho for school support and \$61,972 from the State of Idaho for maintenance of effort for a total due of \$133,075.

**Falcon Ridge Charter School**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2011**

7. CAPITAL ASSETS

	Balance 6/30/2010	Additions	Disposals	Balance 6/30/2011
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 835,095	\$ 0	\$ 0	\$ 835,095
Capital Assets Being Depreciated:				
Improvements	224,059	0	0	224,059
Equipment	24,422	0	0	24,422
Total Historical Cost	248,481	0	0	248,481
Less: Accumulated Depreciation				
Improvements	57,840	15,585	0	73,425
Equipment	2,654	2,955	0	5,609
Total Acc. Depr.	60,494	18,540	0	79,034
Net Depreciable Assets	187,987	(18,540)	0	169,447
Governmental Activities				
Capital Assets - Net	\$ 1,023,082	\$ (18,540)	\$ 0	\$ 1,004,542

Depreciation expense was charged to the functions of the Charter as follows:

Governmental Activities:	
Support Services	\$ 18,540

8. LONG-TERM LIABILITIES

The Charter had a loan payable for land purchased during 2006 to be used as the site for school facilities. This loan was refinanced in 2010 with Zion's Bank and was paid off in 2011.

Changes in long-term obligations for the year ended June 30, 2011, are as follows:

	Maturity	Interest	Beginning	Increases	Decreases	Ending
Governmental Activities:						
Zion's Bank Loan	7/1/2020	6.99%	\$ 230,000	\$ 0	\$ (230,000)	\$ 0

**Falcon Ridge Charter School**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2011**

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9. LEASE COMMITMENTS

The Charter leases modular buildings on a month to month contract. There are no long-term leases for the Charter.

Rent expense for the year ended June 30, 2011, was \$62,855.

10. TRANSFERS TO/FROM OTHER FUNDS

\$ 2,095	From nonmajor funds to the General fund for indirect costs.
100,000	From the General fund to establish the Operating Reserve fund.
250,748	From the General fund to establish the Building Reserve fund.
	From the General fund to nonmajor funds to move revenue to the correct
<u>2,829</u>	fund and to cover payroll costs.
<u>\$ 355,672</u>	

***REQUIRED SUPPLEMENTARY INFORMATION***

**Falcon Ridge Charter School**  
 Budgetary (GAAP Basis) Comparison Schedule  
 General Fund  
 For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance
	Original	Final		
<b>Revenues</b>				
State	\$ 1,133,765	\$ 1,263,156	\$ 1,332,371	\$ 69,215
Grants and Contributions	500	116,150	116,150	0
Investment Income	2,000	3,685	3,755	70
<b>Total Revenues</b>	<u>1,136,265</u>	<u>1,382,991</u>	<u>1,452,276</u>	<u>\$ 69,285</u>
<b>Expenditures</b>				
Current:				
Instruction	581,157	585,045	591,000	(5,955)
Support Services	449,375	426,900	446,501	(19,601)
Non-Instructional	918	1,196	1,196	0
Debt Service:				
Principal	8,700	194,597	194,597	0
Interest	24,839	12,638	12,638	0
Capital Outlay	200	5,501	5,501	0
Contingency Reserve	53,075	100,000	0	100,000
<b>Total Expenditures</b>	<u>1,118,264</u>	<u>1,325,877</u>	<u>1,251,433</u>	<u>74,444</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>18,001</u>	<u>57,114</u>	<u>200,843</u>	<u>143,729</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	0	2,095	2,095	0
Transfers Out	0	(353,577)	(353,577)	0
<b>Total Other Financing Sources (Uses)</b>	<u>0</u>	<u>(351,482)</u>	<u>(351,482)</u>	<u>0</u>
<b>Net Change in Fund Balances</b>	18,001	(294,368)	(150,639)	143,729
Fund Balance - Beginning	0	312,558	312,557	(1)
<b>Fund Balance - Ending</b>	<u>\$ 18,001</u>	<u>\$ 18,190</u>	<u>\$ 161,918</u>	<u>\$ 143,728</u>

**Falcon Ridge Charter School**  
 Budgetary (GAAP Basis) Comparison Schedule  
 Operating Reserve  
 For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance
	Original	Final		
<b>Revenues</b>				
State	\$ 0	\$ 0	\$ 0	\$ 0
Total Revenues	<u>0</u>	<u>0</u>	<u>0</u>	<u>\$ 0</u>
<b>Expenditures</b>				
Current:				
Support Services	0	0	0	0
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	0	100,000	100,000	0
Transfers Out	0	0	0	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>100,000</u>	<u>100,000</u>	<u>0</u>
Net Change in Fund Balances	0	100,000	100,000	0
Fund Balance - Beginning	0	0	0	0
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 100,000</u>	<u>\$ 100,000</u>	<u>\$ 0</u>

**Falcon Ridge Charter School**  
Notes to Required Supplementary Information  
For the Year Ended June 30, 2011

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**1. BUDGETS AND BUDGETARY ACCOUNTING**

The Charter follows these procedures in establishing the budgetary data reflected in the financial statements:

- A. Prior to June 1, the Administrator and Board of Directors prepare a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- B. Public hearings are conducted to obtain taxpayer comments.
- C. Prior to July 1, the budget is legally enacted through passage at a board meeting.
- D. Formal budgetary integration is employed as a management control device during the year for all the funds.
- E. Budgets for the governmental funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).
- F. Budgeted amounts are as originally adopted, or amended by the Board of Directors.

**2. SPECIAL REVENUE FUND CLASSIFICATIONS**

Funds that the Charter established that do not meet the Governmental Accounting Standard Board's current definition of a special revenue fund but have a legally adopted budget and would be considered a major fund, must be shown separately in the budgetary comparison schedules but are collapsed into the General fund in the fund financial statements. This is the case with the Operating Reserve fund.

***SUPPLEMENTAL INFORMATION***

**Falcon Ridge Charter School**  
 Supplemental Schedule of Revenues by Source -  
 Budget and Actual - General Fund  
 For the Year Ended June 30, 2011

	Budget	Actual	Variance
<b>Local Sources</b>			
Contributions/Donations	\$ 106,119	\$ 106,119	\$ 0
Fundraising	5,241	5,241	0
Investment Income	3,685	3,755	70
<b>Total Local Sources</b>	<b>115,045</b>	<b>115,115</b>	<b>70</b>
<b>State Sources</b>			
State Support	1,258,628	1,265,823	7,195
Other State Support	3,050	65,022	61,972
State IRI Reading	1,478	1,526	48
<b>Total State Sources</b>	<b>1,263,156</b>	<b>1,332,371</b>	<b>69,215</b>
<b>Federal Sources</b>			
Other Indirect	4,790	4,790	0
<b>Total Federal Sources</b>	<b>4,790</b>	<b>4,790</b>	<b>0</b>
<b>Total Revenues</b>	<b>\$ 1,382,991</b>	<b>\$ 1,452,276</b>	<b>\$ 69,285</b>

**Falcon Ridge Charter School**  
 Supplemental Schedule of Expenditures by Object of Expenditure -  
 Budget and Actual - General Fund  
 For the Year Ended June 30, 2011

	Budget	Actual	Variance
<b>Instruction</b>			
Elementary:			
Salaries	\$ 337,828	\$ 334,763	\$ 3,065
Benefits	80,562	87,521	(6,959)
Services	1,000	1,000	0
Supplies	2,204	2,209	(5)
	<u>421,594</u>	<u>425,493</u>	<u>(3,899)</u>
Secondary:			
Salaries	101,490	101,446	44
Benefits	27,364	29,817	(2,453)
Supplies	179	179	0
	<u>129,033</u>	<u>131,442</u>	<u>(2,409)</u>
Exceptional Child:			
Salaries	0	5	(5)
Services	32,710	32,710	0
	<u>32,710</u>	<u>32,715</u>	<u>(5)</u>
School Activities:			
Services	661	303	358
Supplies	1,047	1,047	0
	<u>1,708</u>	<u>1,350</u>	<u>358</u>
<b>Total Instruction</b>	<u>585,045</u>	<u>591,000</u>	<u>(5,955)</u>
<b>Support Services</b>			
Instruction Improvement:			
Services	100	100	0
Educational Media:			
Salaries	27,181	29,681	(2,500)
Benefits	5,368	5,856	(488)
Services	1,889	1,889	0
Supplies	506	506	0
Capital Outlay	3,248	3,248	0
	<u>38,192</u>	<u>41,180</u>	<u>(2,988)</u>
Board of Education:			
Services	8,250	8,250	0

**Falcon Ridge Charter School**  
 Supplemental Schedule of Expenditures by Object of Expenditure -  
 Budget and Actual - General Fund  
 For the Year Ended June 30, 2011  
 (continued)

	Budget	Actual	Variance
<b>Administration:</b>			
Salaries	107,449	106,851	598
Benefits	18,966	20,442	(1,476)
Services	10,316	10,316	0
Supplies	2,244	2,244	0
Capital Outlay	625	625	0
	<u>139,600</u>	<u>140,478</u>	<u>(878)</u>
<b>Building Care Program:</b>			
Salaries	3,600	3,600	0
Benefits	275	275	0
Services	66,739	82,241	(15,502)
Supplies	3,141	3,136	5
Insurance	11,809	12,047	(238)
	<u>85,564</u>	<u>101,299</u>	<u>(15,735)</u>
<b>Maintenance - Student Occupied Buildings:</b>			
Services	1,386	1,386	0
<b>Maintenance - Grounds:</b>			
Supplies	4,567	4,567	0
<b>Transportation:</b>			
Services	153,114	153,114	0
<b>Total Support Services</b>	<u>430,773</u>	<u>450,374</u>	<u>(19,601)</u>
<b>Non-Instructional</b>			
Food Service	1,196	1,196	0
<b>Total Non-Instructional</b>	<u>1,196</u>	<u>1,196</u>	<u>0</u>
<b>Capital Outlay</b>	<u>1,628</u>	<u>1,628</u>	<u>0</u>
<b>Debt Service</b>			
Principal	194,597	194,597	0
Interest	12,638	12,638	0
<b>Total Debt Service</b>	<u>207,235</u>	<u>207,235</u>	<u>0</u>

**Falcon Ridge Charter School**  
 Supplemental Schedule of Expenditures by Object of Expenditure -  
 Budget and Actual - General Fund  
 For the Year Ended June 30, 2011  
 (continued)

	Budget	Actual	Variance
<b>Contingency Reserve</b>	100,000	0	100,000
Total Expenditures	\$ 1,325,877	\$ 1,251,433	\$ 74,444

**Falcon Ridge Charter School**  
 Combining Balance Sheet - Nonmajor Governmental Funds  
 June 30, 2011

	Food Service	ISEE Grant Fund	Jobs Bill Fund	Title VI-B	Medicaid Fund	Total
<b>Assets</b>						
Cash	\$ 7,596	\$ 0	\$ 0	\$ 0	\$ 0	\$ 7,596
<b>Total Assets</b>	<u>\$ 7,596</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 7,596</u>
<b>Liabilities</b>						
Salaries and Benefits Payable	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<b>Total Liabilities</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Fund Balance</b>						
Restricted	7,596	0	0	0	0	7,596
<b>Total Liabilities and Fund Balances</b>	<u>\$ 7,596</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 7,596</u>

**Falcon Ridge Charter School**  
Combining Statement of Revenues, Expenditures, and Changes in  
Fund Balances - Nonmajor Governmental Funds  
For the Year Ended June 30, 2011

	Food Service	ISEE Grant Fund	Jobs Bill Fund	Title VI-B	Medicaid Fund	Total
<b>Revenues</b>						
State Sources	\$ 0	\$ 0	\$ 0	\$ 0	\$ 6,845	\$ 6,845
Grants and Contributions	30,250	3,000	20,549	51,835	0	105,634
Other	25,523	0	0	0	0	25,523
<b>Total Revenues</b>	<b>55,773</b>	<b>3,000</b>	<b>20,549</b>	<b>51,835</b>	<b>6,845</b>	<b>138,002</b>
<b>Expenditures</b>						
Instruction:						
Salaries	0	0	0	46,976	0	46,976
Benefits	0	0	0	11,334	0	11,334
Services	0	0	0	7,269	0	7,269
Supplies	0	0	0	1,108	0	1,108
<b>Total Instruction</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>66,687</b>	<b>0</b>	<b>66,687</b>
Support:						
Salaries	0	4,952	18,074	0	0	23,026
Benefits	0	877	2,475	0	0	3,352
Services	0	0	0	0	6,845	6,845
<b>Total Support</b>	<b>0</b>	<b>5,829</b>	<b>20,549</b>	<b>0</b>	<b>6,845</b>	<b>33,223</b>
Non-Instructional:						
Food Service:						
Salaries	10,517	0	0	0	0	10,517
Supplies	34,597	0	0	0	0	34,597
<b>Total Food Service/Non-Instructional</b>	<b>45,114</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>45,114</b>
<b>Total Expenditures</b>	<b>45,114</b>	<b>5,829</b>	<b>20,549</b>	<b>66,687</b>	<b>6,845</b>	<b>145,024</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>10,659</b>	<b>(2,829)</b>	<b>0</b>	<b>(14,852)</b>	<b>0</b>	<b>(7,022)</b>
<b>Other Financing Sources (Uses)</b>						
Transfers In	0	2,829	0	0	0	2,829
Transfers Out	0	0	0	(2,095)	0	(2,095)
<b>Total Other Financing Sources (Uses)</b>	<b>0</b>	<b>2,829</b>	<b>0</b>	<b>(2,095)</b>	<b>0</b>	<b>734</b>
<b>Net Change in Fund Balances</b>	<b>10,659</b>	<b>0</b>	<b>0</b>	<b>(16,947)</b>	<b>0</b>	<b>(6,288)</b>
Fund Balance - Beginning	(3,063)	0	0	16,947	0	13,884
<b>Fund Balance - Ending</b>	<b>\$ 7,596</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 7,596</b>

**FEDERAL REPORTS**



Certified Public Accountants

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**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  
Falcon Ridge Charter School  
Kuna, Idaho

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of **Falcon Ridge Charter School** (the Charter), as of and for the year ended June 30, 2011, which collectively comprise the Charter's basic financial statements and have issued our report thereon dated September 6, 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 **Falcon Ridge Charter School's** internal control over financial reporting as a basis for designing our auditing procedures 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 Charter's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Charter'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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Charter'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.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether **Falcon Ridge Charter 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*.

This report is intended solely for the information and use of management, the Board of Directors, others within the entity, and 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.

*Bailey & Co.*

Nampa, Idaho  
September 6, 2011