

IDAHO SCIENCE AND TECHNOLOGY CHARTER SCHOOL

FINANCIAL STATEMENTS

Year Ended June 30, 2011

IDAHO SCIENCE AND TECHNOLOGY CHARTER SCHOOL

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FINANCIAL SECTION

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Independent Auditor's Report

Board of Directors
Idaho Science and Technology Charter School

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Idaho Science and Technology Charter School (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 August 8, 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.

August 8, 2011

BASIC FINANCIAL STATEMENTS

IDAHO SCIENCE AND TECHNOLOGY CHARTER SCHOOL

Statement of Net Assets

June 30, 2011

	Governmental Activities
Assets	
Current Assets	
Cash	\$52,654
Receivables:	
Local Sources	0
State Sources	67,741
Federal Sources	15,000
Total Current Assets	<u>135,395</u>
Noncurrent Assets	
Nondepreciable Capital Assets	90,206
Depreciable Net Capital Assets	10,714
Total Noncurrent Assets	<u>100,920</u>
Total Assets	<u><u>\$236,315</u></u>
Liabilities	
Current Liabilities	
Accounts Payable	\$11,163
Salaries & Benefits Payable	103,807
Deferred Revenue	0
Long-Term Debt, Current	30,036
Total Current Liabilities	<u>145,006</u>
Noncurrent Liabilities	
Long-Term Debt, Noncurrent	72,522
Total Noncurrent Liabilities	<u>72,522</u>
Total Liabilities	<u><u>217,528</u></u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	(1,638)
Restricted:	
Special Programs	0
Debt Service	0
Capital Projects	0
Unrestricted	20,425
Total Net Assets	<u>18,787</u>
Total Liabilities and Net Assets	<u><u>\$236,315</u></u>

IDAHO SCIENCE AND TECHNOLOGY CHARTER SCHOOL

Statement of Activities
Year Ended June 30, 2011

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue And Changes in Net Assets</u>
		<u>Charges For Services</u>	<u>Operating Grants And Contributions</u>	
Governmental Activities				
Instructional Programs				
Elementary School	\$646,255		\$229,482	(\$416,773)
Secondary School	0			0
Exceptional Child	43,790		26,956	(16,834)
School Activity	0			0
Support Service Programs	0			
Instructional Improvement	782		782	0
Board of Education	0			0
District Administration	0			0
School Administration	167,936			(167,936)
Buildings - Care	54,089			(54,089)
Maintenance - Student Occupied	97,868		77,785	(20,083)
Maintenance - Grounds	1,893			(1,893)
Pupil-To-School Transportation	41,045			(41,045)
Non-Instructional Programs	0			
Capital Assets - Student Occupied	2,143			(2,143)
Capital Assets - Non-Student Occupied	0			0
Debt Service - Principal	0			0
Debt Service - Interest	9,481			(9,481)
Total	<u>\$1,065,282</u>	<u>\$0</u>	<u>\$335,005</u>	<u>\$0</u>
General Revenues				
Local Revenue				72,623
State Revenue				762,406
Federal Revenue				0
Total				<u>835,029</u>
Change in Net Assets				104,752
Net Assets - Beginning				(85,965)
Net Assets - Ending				<u>\$18,787</u>

Balance Sheet - Governmental Funds

June 30, 2011

	General Fund	Albertsons Fund	Charter School Grant Fund	Other Governmental Funds
Assets				
Cash	\$48,140			\$4,514
Receivables:				
Local Sources				0
State Sources	67,741			0
Federal Sources			\$15,000	0
Due From Other Funds	15,000			0
Total Assets	<u>\$130,881</u>	<u>\$0</u>	<u>\$15,000</u>	<u>\$4,514</u>
Liabilities				
Accounts Payable	\$11,163			\$0
Due To Other Funds			\$15,000	0
Salaries & Benefits Payable	99,293			4,514
Deferred Revenue				0
Total Liabilities	<u>110,456</u>	<u>\$0</u>	<u>\$15,000</u>	<u>4,514</u>
Fund Balances				
Restricted:				
Special Programs	20,425	0	0	0
Debt Service				0
Capital Projects				0
Unassigned				0
Total Fund Balances	<u>20,425</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities and Fund Balances	<u>\$130,881</u>	<u>\$0</u>	<u>\$15,000</u>	<u>\$4,514</u>

Balance Sheet - Governmental Funds

June 30, 2011

	Total Governmental Funds
	<u> </u>
Assets	
Cash	\$52,654
Receivables:	
Local Sources	0
State Sources	67,741
Federal Sources	15,000
Due From Other Funds	15,000
Total Assets	<u><u>\$150,395</u></u>
 Liabilities	
Accounts Payable	\$11,163
Due To Other Funds	15,000
Salaries & Benefits Payable	103,807
Deferred Revenue	0
Total Liabilities	<u>129,970</u>
 Fund Balances	
Restricted:	
Special Programs	20,425
Debt Service	0
Capital Projects	0
Unassigned	0
Total Fund Balances	<u>20,425</u>
Total Liabilities and Fund Balances	<u><u>\$150,395</u></u>

Balance Sheet - Governmental Funds

June 30, 2011

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

Total Governmental Fund Balances	\$20,425
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	100,920
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Certain liabilities, including accrued interest, are not due and payable in the current period and therefore are not reported in the funds.	(102,558)
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Net Assets of Governmental Activities	<table style="margin-left: auto; margin-right: 0; border-collapse: collapse;"> <tr> <td style="border-top: 1px solid black; border-bottom: 3px double black; padding: 2px 10px;">\$18,787</td> </tr> </table>	\$18,787
\$18,787		

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>Charter School Grant Fund</u>	<u>Other Governmental Funds</u>
Revenues				
Local Revenue	\$72,623	\$100,000		\$0
State Revenue	762,406			0
Federal Revenue	25,654		\$150,000	59,351
Total Revenues	<u>860,683</u>	<u>100,000</u>	<u>150,000</u>	<u>59,351</u>
Expenditures				
Instructional Programs				
Elementary School	442,427	22,215	149,218	32,395
Secondary School				0
Exceptional Child	16,834			26,956
School Activity				0
Support Service Programs				
Instructional Improvement			782	0
Board of Education				0
District Administration				0
School Administration	167,936			0
Buildings - Care	54,089			0
Maintenance - Student Occupied	20,083	77,785		0
Maintenance - Grounds	1,893			0
Pupil-To-School Transportation	41,045			0
Non-Instructional Programs				
Capital Assets - Student Occupied				0
Capital Assets - Non-Student Occupied				0
Debt Service - Principal	81,225			0
Debt Service - Interest	9,481			0
Total Expenditures	<u>835,013</u>	<u>100,000</u>	<u>150,000</u>	<u>59,351</u>
Excess (Deficiency) of Revenues Over Expenditures	25,670	0	0	0
Other Financing Sources (Uses)				
Transfers In				0
Transfers Out				0
Debt Proceeds				
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	25,670	0	0	0
Fund Balances - Beginning	(5,245)	0	0	0
Fund Balances - Ending	<u>\$20,425</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

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

	Total Governmental Funds
Revenues	
Local Revenue	\$172,623
State Revenue	762,406
Federal Revenue	235,005
Total Revenues	1,170,034
Expenditures	
Instructional Programs	
Elementary School	646,255
Secondary School	0
Exceptional Child	43,790
School Activity	0
Support Service Programs	
Instructional Improvement	782
Board of Education	0
District Administration	0
School Administration	167,936
Buildings - Care	54,089
Maintenance - Student Occupied	97,868
Maintenance - Grounds	1,893
Pupil-To-School Transportation	41,045
Non-Instructional Programs	
Capital Assets - Student Occupied	0
Capital Assets - Non-Student Occupied	0
Debt Service - Principal	81,225
Debt Service - Interest	9,481
Total Expenditures	1,144,364
Excess (Deficiency) of Revenues Over Expenditures	25,670
Other Financing Sources (Uses)	
Transfers In	0
Transfers Out	0
Debt Proceeds	0
Total Other Financing Sources (Uses)	0
Net Change in Fund Balances	25,670
Fund Balances - Beginning	(5,245)
Fund Balances - Ending	\$20,425

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	\$25,670
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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.	(2,143)
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Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term debt in the statement of net assets.	81,225
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Change in Net Assets of Governmental Activities	<u><u>\$104,752</u></u>
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IDAHO SCIENCE AND TECHNOLOGY CHARTER SCHOOL

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity – Idaho Science and Technology Charter School (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.

IDAHO SCIENCE AND TECHNOLOGY CHARTER SCHOOL

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, and the charter school grant fund, used to account for initial funding.

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 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

IDAHO SCIENCE AND TECHNOLOGY CHARTER SCHOOL

Notes to Financial Statements

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 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.

IDAHO SCIENCE AND TECHNOLOGY CHARTER SCHOOL

Notes to Financial Statements

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.

IDAHO SCIENCE AND TECHNOLOGY CHARTER SCHOOL

Notes to Financial Statements

B. CASH

Cash consists of the following at year end:

Cash - Deposits	\$52,654
Total	<u><u>\$52,654</u></u>

Deposits – At year end, the carrying amounts of the School's deposits were \$52,654 and the bank balances were \$58,155. Of the bank balances, \$58,155 was insured.

Investments – State statutes authorize government entities to invest in certain bonds, notes, accounts, investment pools, and other obligations of the state, U.S. Treasury, and U.S. corporations pursuant to Idaho Code 67-1210 and 67-1210A. These statutes are designed to help minimize the custodial risk that deposits may not be returned in the event of the failure of the issuer or other counterparty, interest rate risk resulting from fair value losses arising from rising interest rates, or credit risks that an issuer or other counterparty will not fulfill its obligations. The School's investment policy complies with state statutes.

C. RECEIVABLES

Receivables consist of the following at year end:

	<u>General Fund</u>	<u>Special Revenue Funds</u>
State Sources		
Foundation Program	\$31,485	
Special Programs	36,256	
Total	<u><u>\$67,741</u></u>	
Federal Sources		
Special Programs		\$15,000
Total		<u><u>\$15,000</u></u>

IDAHO SCIENCE AND TECHNOLOGY CHARTER SCHOOL

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	\$90,206			\$90,206
Total	<u>90,206</u>	<u>\$0</u>	<u>\$0</u>	<u>90,206</u>
Depreciable Capital Assets				
Buildings	0			0
Equipment	15,000			15,000
Subtotal	<u>15,000</u>	<u>0</u>	<u>0</u>	<u>15,000</u>
Accumulated Depreciation				
Buildings	0			0
Equipment	2,143	2,143		4,286
Subtotal	<u>2,143</u>	<u>2,143</u>	<u>0</u>	<u>4,286</u>
Total	<u>12,857</u>	<u>(2,143)</u>	<u>0</u>	<u>10,714</u>
Net Capital Assets	<u>\$103,063</u>	<u>(\$2,143)</u>	<u>\$0</u>	<u>\$100,920</u>

Depreciation expense of \$2,143 was charged to the capital assets – student occupied program.

E. OPERATING LEASE

The School entered into a non-cancelable operating lease for use of a facility. The lease term is for thirty years and is estimated to commence in September 2011. The lease calls for monthly payments of \$30,472 during the first year with graduated monthly payments in subsequent years. Although the lease is non-cancelable, management intends to obtain financing to purchase this facility in the next fiscal year. Consequently, future minimum lease payments are not scheduled for this lease.

F. LONG-TERM DEBT

At year end, the School's notes payable were as follows:

Note payable - BOI-1, due in monthly payments of \$2,977 with interest at 6.35% through 2014/15, secured by equipment, paid through the general fund	\$102,558
Total	<u>\$102,558</u>

IDAHO SCIENCE AND TECHNOLOGY CHARTER SCHOOL

Notes to Financial Statements

Maturities on the notes are estimated as follows:

Year Ended	Principal	Interest
6/30/12	30,036	5,682
6/30/13	31,960	3,758
6/30/14	34,010	1,708
6/30/15	6,552	92
Total	\$102,558	\$11,240

Changes in long-term debt are as follows:

Description	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Note Payable - BOI-1	\$130,783		\$28,225	\$102,558	\$30,036
Note Payable - BOI-2	53,000		53,000	0	
Total	\$183,783	\$0	\$81,225	\$102,558	\$30,036

Interest and related costs during the year amounted to \$9.481 and were charged to the debt service – interest program.

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,

IDAHO SCIENCE AND TECHNOLOGY CHARTER SCHOOL

Notes to Financial Statements

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 \$49,498, \$44,166, and \$0, for the three years ended June 30, 2011, 2010, and 2009 respectively.

H. INTERFUND BALANCES

Interfund balances at year end consist of the following:

	Due From Fund	
	Grant	Total
Due To Fund		
General	\$15,000	\$15,000
Total	\$15,000	\$15,000

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

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

General Fund	Budgeted Amounts (GAAP Basis)		Actual Amounts	Final Budget Variance Positive (Negative)
	Original	Final		
Revenues				
Local Revenue	\$139,055	\$184,028	\$72,623	(\$111,405)
State Revenue	802,050	737,083	762,406	25,323
Federal Revenue			25,654	25,654
Total Revenues	<u>941,105</u>	<u>921,111</u>	<u>860,683</u>	<u>(60,428)</u>
Expenditures				
Instructional Programs				
Elementary School	479,335	466,462	442,427	24,035
Secondary School			0	0
Exceptional Child			16,834	(16,834)
School Activity			0	0
Support Service Programs				
Instructional Improvement			0	0
Board of Education			0	0
District Administration			0	0
School Administration	152,000	152,000	167,936	(15,936)
Buildings - Care	43,000	43,920	54,089	(10,169)
Maintenance - Student Occupied	112,105	100,380	20,083	80,297
Maintenance - Grounds	6,000	6,000	1,893	4,107
Pupil-To-School Transportation	34,900	45,800	41,045	4,755
Non-Instructional Programs				
Capital Assets - Student Occupied			0	0
Capital Assets - Non-Student Occupied			0	0
Debt Service - Principal	35,470	90,478	81,225	9,253
Debt Service - Interest			9,481	(9,481)
Total Expenditures	<u>862,810</u>	<u>905,040</u>	<u>835,013</u>	<u>70,027</u> *
Excess (Deficiency) of Revenues Over Expenditures	78,295	16,071	25,670	9,599
Other Financing Sources (Uses)				
Transfers In			0	0
Transfers Out			0	0
Debt Proceeds			0	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	78,295	16,071	25,670	9,599
Fund Balances - Beginning	(5,245)	0	(5,245)	(5,245)
Fund Balances - Ending	<u>\$73,050</u>	<u>\$16,071</u>	<u>\$20,425</u>	<u>\$4,354</u>

*Total expenditures (over) under appropriations.

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			22,215	(22,215)
Secondary School			0	0
Exceptional Child			0	0
School Activity			0	0
Support Service Programs				
Instructional Improvement			0	0
Board of Education			0	0
District Administration			0	0
School Administration			0	0
Buildings - Care			0	0
Maintenance - Student Occupied			77,785	(77,785)
Maintenance - Grounds			0	0
Pupil-To-School Transportation			0	0
Non-Instructional Programs				
Capital Assets - Student Occupied			0	0
Capital Assets - Non-Student Occupied			0	0
Debt Service - Principal			0	0
Debt Service - Interest			0	0
Total Expenditures	<u>0</u>	<u>0</u>	<u>100,000</u>	<u>(100,000) *</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Other Financing Sources (Uses)				
Transfers In			0	0
Transfers Out			0	0
Debt Proceeds			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>0</u>	<u>0</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>\$0</u>	<u>\$0</u>

**Total expenditures (over) under appropriations.*

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

Charter School Grant Fund	Budgeted Amounts (GAAP Basis)		Actual Amounts	Final Budget Variance
	Original	Final		Positive (Negative)
Revenues				
Local Revenue			\$0	\$0
State Revenue			0	0
Federal Revenue		\$130,000	150,000	20,000
Total Revenues	<u>\$0</u>	<u>130,000</u>	<u>150,000</u>	<u>20,000</u>
Expenditures				
Instructional Programs				
Elementary School		130,000	149,218	(19,218)
Secondary School			0	0
Exceptional Child			0	0
School Activity			0	0
Support Service Programs				
Instructional Improvement			782	(782)
Board of Education			0	0
District Administration			0	0
School 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				
Capital Assets - Student Occupied			0	0
Capital Assets - Non-Student Occupied			0	0
Debt Service - Principal			0	0
Debt Service - Interest			0	0
Total Expenditures	<u>0</u>	<u>130,000</u>	<u>150,000</u>	<u>(20,000) *</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
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>0</u>	<u>0</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>\$0</u>	<u>\$0</u>

*Total expenditures (over) under appropriations.

SUPPLEMENTARY INFORMATION

IDAHO SCIENCE AND TECHNOLOGY CHARTER SCHOOL

Combining Balance Sheet - Nonmajor Governmental Funds

June 30, 2011

	Special Revenue Funds			Total
	Title I-A ESEA IBP	Special Educ. IDEA Part B	Title II-A Improving Teacher Quality	
Assets				
Cash	\$1,889	\$2,625		\$4,514
Receivables:				
Local Sources				0
State Sources				0
Federal Sources				0
Due From Other Funds				0
Total Assets	<u>\$1,889</u>	<u>\$2,625</u>	<u>\$0</u>	<u>\$4,514</u>
Liabilities				
Accounts Payable				\$0
Due To Other Funds				0
Salaries & Benefits Payable	\$1,889	\$2,625		4,514
Deferred Revenue				0
Total Liabilities	<u>1,889</u>	<u>2,625</u>	<u>\$0</u>	<u>4,514</u>
Fund Balances				
Restricted:				
Special Programs	0	0	0	0
Debt Service				0
Capital Projects				0
Unassigned				0
Total Fund Balances	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities and Fund Balances	<u>\$1,889</u>	<u>\$2,625</u>	<u>\$0</u>	<u>\$4,514</u>

IDAHO SCIENCE AND TECHNOLOGY CHARTER SCHOOL

Combining Statement of Revenues, Expenditures, and Changes in

Fund Balances - Nonmajor Governmental Funds

Year Ended June 30, 2011

	Special Revenue Funds			Total
	Title I-A ESEA IBP	Special Educ. IDEA Part B	Title II-A Improving Teacher Quality	
Revenues				
Local Revenue				\$0
State Revenue				0
Federal Revenue	\$13,730	\$26,956	\$18,665	59,351
Total Revenues	<u>13,730</u>	<u>26,956</u>	<u>18,665</u>	<u>59,351</u>
Expenditures				
Instructional Programs				
Elementary School	13,730		18,665	32,395
Secondary School				0
Exceptional Child		26,956		26,956
School Activity				0
Support Service Programs				
Instructional Improvement				0
Board of Education				0
District Administration				0
School Administration				0
Buildings - Care				0
Maintenance - Student Occupied				0
Maintenance - Grounds				0
Pupil-To-School Transportation				0
Non-Instructional Programs				
Capital Assets - Student Occupied				0
Capital Assets - Non-Student Occupied				0
Debt Service - Principal				0
Debt Service - Interest				0
Total Expenditures	<u>13,730</u>	<u>26,956</u>	<u>18,665</u>	<u>59,351</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	0	0
Other Financing Sources (Uses)				
Transfers In				0
Transfers Out				0
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	0	0	0	0
Fund Balances - Beginning	0	0	0	0
Fund Balances - Ending	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</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
Idaho Science and Technology Charter School

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Idaho Science and Technology Charter School (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 August 8, 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.

August 8, 2011

IDAHO SCIENCE AND TECHNOLOGY CHARTER SCHOOL

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.