

LEGACY PUBLIC CHARTER SCHOOL

FINANCIAL STATEMENTS

Year Ended June 30, 2011

LEGACY PUBLIC CHARTER SCHOOL

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FINANCIAL SECTION

Independent Auditor's Report

Board of Directors
Legacy Public Charter School

We have audited the accompanying financial statements of the governmental activities and each major fund of Legacy Public 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 and each major fund 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 3, 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.

Folke CPAs, P.C.

August 3, 2011

BASIC FINANCIAL STATEMENTS

LEGACY PUBLIC CHARTER SCHOOL

Statement of Net Assets

June 30, 2011

	<u>Governmental Activities</u>
Assets	
Current Assets	
Cash	\$2,214
Receivables:	
Federal Sources	155,760
Total Current Assets	<u>157,974</u>
Noncurrent Assets	
Nondepreciable Capital Assets	183,465
Depreciable Net Capital Assets	0
Total Noncurrent Assets	<u>183,465</u>
Total Assets	<u><u>\$341,439</u></u>
Liabilities	
Current Liabilities	
Accounts Payable	\$118,815
Total Current Liabilities	<u>118,815</u>
Total Liabilities	<u>118,815</u>
Net Assets	
Invested in Capital Assets	183,465
Restricted:	
Special Programs	39,159
Unrestricted	0
Total Net Assets	<u>222,624</u>
Total Liabilities and Net Assets	<u><u>\$341,439</u></u>

LEGACY PUBLIC CHARTER SCHOOL

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Balance Sheet - Governmental Funds

June 30, 2011

	<u>Albertsons Fund</u>	<u>Charter School Grant Fund</u>	<u>Total Governmental Funds</u>
Assets			
Cash	\$2,214		\$2,214
Receivables:			
Federal Sources		\$155,760	155,760
Due From Other Funds	107,837		107,837
Total Assets	<u>\$110,051</u>	<u>\$155,760</u>	<u>\$265,811</u>
Liabilities			
Accounts Payable	\$70,892	\$47,923	\$118,815
Due To Other Funds		107,837	107,837
Total Liabilities	<u>70,892</u>	<u>155,760</u>	<u>226,652</u>
Fund Balances			
Restricted:			
Special Programs	39,159		39,159
Unassigned			0
Total Fund Balances	<u>39,159</u>	<u>0</u>	<u>39,159</u>
Total Liabilities and Fund Balances	<u>\$110,051</u>	<u>\$155,760</u>	<u>\$265,811</u>

LEGACY PUBLIC CHARTER SCHOOL

Balance Sheet - Governmental Funds

June 30, 2011

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

Total Governmental Fund Balances \$39,159

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. 183,465

Net Assets of Governmental Activities \$222,624

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

	<u>Albertsons Fund</u>	<u>Charter School Grant Fund</u>	<u>Total Governmental Funds</u>
Revenues			
Local Revenue	\$250,000		\$250,000
Federal Revenue		\$220,000	220,000
Total Revenues	<u>250,000</u>	<u>220,000</u>	<u>470,000</u>
Expenditures			
Instructional Programs			
Elementary School	27,376	220,000	247,376
Non-Instructional Programs			
Capital Assets - Student Occupied	183,465		183,465
Total Expenditures	<u>210,841</u>	<u>220,000</u>	<u>430,841</u>
Excess (Deficiency) of Revenues Over Expenditures	39,159	0	39,159
Other Financing Sources (Uses)			
Transfers In	0	0	0
Transfers Out	0	0	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	39,159	0	39,159
Fund Balances - Beginning	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances - Ending	<u><u>\$39,159</u></u>	<u><u>\$0</u></u>	<u><u>\$39,159</u></u>

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

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**Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds to the
Statement of Activities**

Net Change in Fund Balances - Total Governmental Funds \$39,159

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.

183,465

Change in Net Assets of Governmental Activities

\$222,624

LEGACY PUBLIC CHARTER SCHOOL

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity – Legacy Public Charter School (the School) is organized as a nonprofit corporation providing public charter school educational services as authorized by Section 33 of Idaho Code. The 2010/11 year was the School's initial year devoted solely to planning and startup activities. Students were not enrolled during this period.

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

LEGACY PUBLIC CHARTER SCHOOL

Notes to Financial Statements

expenditures by function, program and object. Accordingly, there is no allocation of indirect costs.

The government-wide focus is more on the sustainability of the School as an entity and the change in the School's net 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 – As the School's initial funding was composed of monies that are required to be accounted for in special revenue funds, the School did not use a general 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 and charter school grant fund, both used to account for initial operations.

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"

LEGACY PUBLIC CHARTER SCHOOL

Notes to Financial Statements

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. When incurred, depreciation over the estimated useful lives of depreciable assets is recorded using the straight line method.

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.

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

LEGACY PUBLIC CHARTER SCHOOL

Notes to Financial Statements

which may be disallowed by the grantor cannot be determined at this time although the School expects such amounts, if any, to be immaterial.

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

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

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

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

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

B. CASH

Cash consists of the following at year end:

Cash - Deposits	\$2,214
Total	<u><u>\$2,214</u></u>

Deposits – At year end, the carrying amounts of the School's deposits were \$2,214 and the bank balances were \$63,868. The bank balances were 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.

LEGACY PUBLIC CHARTER SCHOOL
Notes to Financial Statements

C. RECEIVABLES

Receivables consist of the following at year end:

	Special Revenue Funds
Federal Sources	
Special Programs	\$155,760
Total	\$155,760

D. OPERATING LEASE

In June 2011, the School entered into a one year operating lease for use of portables. The lease term will be during the 2011/12 year and monthly lease payments are estimated at \$6,144.

E. CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Nondepreciable Capital Assets				
Land & Improvements	\$0	\$183,465		\$183,465
Total	0	183,465	\$0	183,465
Depreciable Capital Assets				
Buildings	0			0
Equipment	0			0
Subtotal	0	0	0	0
Accumulated Depreciation				
Buildings	0			0
Equipment	0			0
Subtotal	0	0	0	0
Total	0	0	0	0
 Net Capital Assets	\$0	\$183,465	\$0	\$183,465

Depreciation expense, when incurred, is charged to the capital assets – student occupied program.

LEGACY PUBLIC CHARTER SCHOOL
Notes to Financial Statements

F. INTERFUND BALANCES

Interfund balances at year end consist of the following:

	<u>Due From Fund</u>	
	<u>Charter School</u>	
<u>Due To Fund</u>	<u>Grant</u>	<u>Total</u>
Albertsons	<u>\$107,837</u>	<u>\$107,837</u>
Total	<u><u>\$107,837</u></u>	<u><u>\$107,837</u></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

LEGACY PUBLIC CHARTER SCHOOL
 Budgetary Comparison Schedule - 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	\$0	\$0	\$250,000	\$250,000
Federal Revenue	0	0	0	0
Total Revenues	0	0	250,000	250,000
Expenditures				
Instructional Programs				
Elementary School	0	0	27,376	(27,376)
Non-Instructional Programs				
Capital Assets - Student Occupied	0	0	183,465	(183,465)
Total Expenditures	0	0	210,841	(210,841) *
Excess (Deficiency) of Revenues Over Expenditures				
	0	0	39,159	39,159
Other Financing Sources (Uses)				
Transfers In				
Transfers In	0	0	0	0
Transfers Out				
Transfers Out	0	0	0	0
Total Other Financing Sources (Uses)	0	0	0	0
Net Change in Fund Balances	0	0	39,159	39,159
Fund Balances - Beginning	0	0	0	0
Fund Balances - Ending	\$0	\$0	\$39,159	\$39,159

**Total expenditures (over) under appropriations.*

LEGACY PUBLIC CHARTER SCHOOL
 Budgetary Comparison Schedule - Major Special Revenue Funds
 Year Ended June 30, 2011

Charter School Grant Fund	Budgeted Amounts (GAAP Basis)		Actual Amounts	Final Budget Variance Positive (Negative)
	Original	Final		
Revenues				
Local Revenue	\$0	\$0	\$0	\$0
Federal Revenue	220,000	220,000	220,000	0
Total Revenues	220,000	220,000	220,000	0
Expenditures				
Instructional Programs				
Elementary School	220,000	220,000	220,000	0
Non-Instructional Programs				
Capital Assets - Student Occupied	0	0	0	0
Total Expenditures	220,000	220,000	220,000	0 *
Excess (Deficiency) of Revenues Over Expenditures				
	0	0	0	0
Other Financing Sources (Uses)				
Transfers In	0	0	0	0
Transfers Out	0	0	0	0
Total Other Financing Sources (Uses)	0	0	0	0
Net Change in Fund Balances	0	0	0	0
Fund Balances - Beginning	0	0	0	0
Fund Balances - Ending	\$0	\$0	\$0	\$0

*Total expenditures (over) under appropriations.

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
Legacy Public Charter School

We have audited the financial statements of the governmental activities and each major fund of Legacy Public 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 3, 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.

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*.

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 3, 2011

LEGACY PUBLIC 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. No significant deficiencies relating to the audit of the financial statements are 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*.
3. No instances of noncompliance material to the financial statements of the School were disclosed during the audit.