

NORTH VALLEY ACADEMY CHARTER SCHOOL

FINANCIAL STATEMENTS

Year Ended June 30, 2011

NORTH VALLEY ACADEMY CHARTER SCHOOL

Table of Contents

	<u>PAGE (S)</u>
<u>FINANCIAL SECTION</u>	
Independent Auditor's Report	1-2
<u>BASIC FINANCIAL STATEMENTS</u>	
Government-Wide Financial Statements	
Statement of Net Assets.....	3
Statement of Activities.....	4
Fund Financial Statements	
Balance Sheet – Governmental Funds.....	5-7
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	8-10
Statement of Fiduciary Net Assets.....	11
Notes to Financial Statements.....	12-19
<u>REQUIRED SUPPLEMENTAL INFORMATION</u>	
Budgetary Comparison Schedule – General and Major Special Revenue Funds.....	20-22
<u>SUPPLEMENTARY INFORMATION</u>	
Combining Balance Sheet – Nonmajor Governmental Funds.....	23-24
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds.....	25-26
<u>OTHER REPORTS AND SCHEDULES</u>	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	27-28
Schedule of Findings and Responses.....	29

FINANCIAL SECTION

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Independent Auditor's Report

Board of Directors
North Valley Academy Charter School

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of North Valley Academy 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 5, 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 5, 2011

BASIC FINANCIAL STATEMENTS

NORTH VALLEY ACADEMY CHARTER SCHOOL

Statement of Net Assets

June 30, 2011

	<u>Governmental Activities</u>
Assets	
Current Assets	
Cash	\$289,591
Receivables:	
Local Sources	16,029
State Sources	89,861
Federal Sources	109,476
Total Current Assets	<u>504,957</u>
Noncurrent Assets	
Nondepreciable Capital Assets	171,922
Depreciable Net Capital Assets	493,128
Total Noncurrent Assets	<u>665,050</u>
Total Assets	<u><u>\$1,170,007</u></u>
Liabilities	
Current Liabilities	
Accounts Payable	\$2,275
Salaries & Benefits Payable	109,303
Deferred Revenue	86,341
Long-Term Debt, Current	29,821
Total Current Liabilities	<u>227,740</u>
Noncurrent Liabilities	
Long-Term Debt, Noncurrent	655,179
Total Noncurrent Liabilities	<u>655,179</u>
Total Liabilities	<u><u>882,919</u></u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	(19,950)
Restricted:	
Special Programs	109,160
Debt Service	0
Capital Projects	0
Unrestricted	197,878
Total Net Assets	<u>287,088</u>
Total Liabilities and Net Assets	<u><u>\$1,170,007</u></u>

NORTH VALLEY ACADEMY CHARTER SCHOOL

Statement of Activities
Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue And Changes in Net Assets
		Charges For Services	Operating Grants And Contributions	
				Governmental Activities
Governmental Activities				
Instructional Programs				
Elementary School	\$524,332		\$52,528	(\$471,804)
Secondary School	265,833		30,688	(235,145)
Exceptional Child	59,147		16,667	(42,480)
Interscholastic	33,822			(33,822)
School Activity	0			0
Support Service Programs				
Attendance - Guidance - Health	17,047			(17,047)
Special Services	10,807			(10,807)
Instructional Improvement	5,968		4,769	(1,199)
Educational Media	4,851			(4,851)
Board of Education	22,363			(22,363)
District Administration	43,003			(43,003)
School Administration	24,563			(24,563)
Business Operation	65,333			(65,333)
Buildings - Care	54,553			(54,553)
Maintenance - Non-Student Occupied	6,106			(6,106)
Maintenance - Student Occupied	43,979			(43,979)
Maintenance - Grounds	3,245			(3,245)
Pupil-To-School Transportation	113,514			(113,514)
Pupil-Activity Transportation	1,800			(1,800)
Non-Instructional Programs				
Child Nutrition	70,647	\$18,996	62,365	10,714
Capital Assets - Student Occupied	13,681			(13,681)
Capital Assets - Non-Student Occupied	0			0
Debt Service - Principal	0			0
Debt Service - Interest	31,063			(31,063)
Total	<u>\$1,415,657</u>	<u>\$18,996</u>	<u>\$167,017</u>	<u>\$0</u>
General Revenues				
				121,053
Local Revenue				1,359,543
State Revenue				0
Federal Revenue				<u>1,480,596</u>
Total				
Change in Net Assets				
				250,952
Net Assets - Beginning				
				<u>36,136</u>
Net Assets - Ending				
				<u>\$287,088</u>

NORTH VALLEY ACADEMY CHARTER SCHOOL

Balance Sheet - Governmental Funds

June 30, 2011

	<u>General Fund</u>	<u>Charter School Grant Fund</u>	<u>Child Nutrition Fund</u>	<u>Capital Construction Fund</u>
Assets				
Cash	\$143,515		\$43,674	
Receivables:				
Local Sources	16,029			
State Sources	89,861			
Federal Sources				
Due From Other Funds	52,435			
Total Assets	<u>\$301,840</u>	<u>\$0</u>	<u>\$43,674</u>	<u>\$0</u>
Liabilities				
Accounts Payable	\$1,965		\$251	
Due To Other Funds			34,464	
Salaries & Benefits Payable	101,997		2,201	
Deferred Revenue				
Total Liabilities	<u>103,962</u>	<u>\$0</u>	<u>36,916</u>	<u>\$0</u>
Fund Balances				
Restricted:				
Special Programs		0	6,758	
Debt Service				
Capital Projects				0
Unassigned	197,878			
Total Fund Balances	<u>197,878</u>	<u>0</u>	<u>6,758</u>	<u>0</u>
Total Liabilities and Fund Balances	<u>\$301,840</u>	<u>\$0</u>	<u>\$43,674</u>	<u>\$0</u>

NORTH VALLEY ACADEMY CHARTER SCHOOL

Balance Sheet - Governmental Funds

June 30, 2011

	Other Governmental Funds	Total Governmental Funds
	<u> </u>	<u> </u>
Assets		
Cash	\$102,402	\$289,591
Receivables:		
Local Sources	0	16,029
State Sources	0	89,861
Federal Sources	109,476	109,476
Due From Other Funds	0	52,435
Total Assets	<u>\$211,878</u>	<u>\$557,392</u>
 Liabilities		
Accounts Payable	\$59	\$2,275
Due To Other Funds	17,971	52,435
Salaries & Benefits Payable	5,105	109,303
Deferred Revenue	86,341	86,341
Total Liabilities	<u>109,476</u>	<u>250,354</u>
 Fund Balances		
Restricted:		
Special Programs	102,402	109,160
Debt Service	0	0
Capital Projects	0	0
Unassigned	0	197,878
Total Fund Balances	<u>102,402</u>	<u>307,038</u>
Total Liabilities and Fund Balances	<u>\$211,878</u>	<u>\$557,392</u>

Balance Sheet - Governmental Funds

June 30, 2011

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

Total Governmental Fund Balances	\$307,038
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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.	665,050
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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.	(685,000)
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Net Assets of Governmental Activities	<u><u>\$287,088</u></u>
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NORTH VALLEY ACADEMY CHARTER SCHOOL
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Governmental Funds
Year Ended June 30, 2011

	<u>General Fund</u>	<u>Charter School Grant Fund</u>	<u>Child Nutrition Fund</u>	<u>Capital Construction Fund</u>
Revenues				
Local Revenue	\$21,053		\$18,996	
State Revenue	1,359,543			
Federal Revenue	54,194		62,365	
Total Revenues	<u>1,434,790</u>	<u>\$0</u>	<u>81,361</u>	<u>\$0</u>
Expenditures				
Instructional Programs				
Elementary School	486,523	12,378		
Secondary School	255,046	7,196		
Exceptional Child	42,480			
Interscholastic	33,822			
School Activity				
Support Service Programs				
Attendance - Guidance - Health	17,047			
Special Services	10,807			
Instructional Improvement	1,199			
Educational Media	4,851			
Board of Education	22,363			
District Administration	43,003			
School Administration	18,686	5,877		
Business Operation	65,333			
Buildings - Care	54,553			
Maintenance - Non-Student Occupied	6,106			
Maintenance - Student Occupied	32,834			11,145
Maintenance - Grounds	3,245			
Pupil-To-School Transportation	113,514			
Pupil-Activity Transportation	1,800			
Non-Instructional Programs				
Child Nutrition	2,023		68,624	
Capital Assets - Student Occupied				
Capital Assets - Non-Student Occupied				
Debt Service - Principal				
Debt Service - Interest	34,298			
Total Expenditures	<u>1,249,533</u>	<u>25,451</u>	<u>68,624</u>	<u>11,145</u>
Excess (Deficiency) of Revenues Over Expenditures	185,257	(25,451)	12,737	(11,145)
Other Financing Sources (Uses)				
Transfers In		25,451		
Transfers Out	(25,451)			
Total Other Financing Sources (Uses)	<u>(25,451)</u>	<u>25,451</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	159,806	0	12,737	(11,145)
Fund Balances - Beginning	38,072	0	(5,979)	11,145
Fund Balances - Ending	<u>\$197,878</u>	<u>\$0</u>	<u>\$6,758</u>	<u>\$0</u>

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

	Other Governmental Funds	Total Governmental Funds
Revenues		
Local Revenue	\$100,000	\$140,049
State Revenue	3,591	1,363,134
Federal Revenue	46,867	163,426
Total Revenues	150,458	1,666,609
Expenditures		
Instructional Programs		
Elementary School	25,431	524,332
Secondary School	3,591	265,833
Exceptional Child	16,667	59,147
Interscholastic	0	33,822
School Activity	0	0
Support Service Programs		
Attendance - Guidance - Health	0	17,047
Special Services	0	10,807
Instructional Improvement	4,769	5,968
Educational Media	0	4,851
Board of Education	0	22,363
District Administration	0	43,003
School Administration	0	24,563
Business Operation	0	65,333
Buildings - Care	0	54,553
Maintenance - Non-Student Occupied	0	6,106
Maintenance - Student Occupied	0	43,979
Maintenance - Grounds	0	3,245
Pupil-To-School Transportation	0	113,514
Pupil-Activity Transportation	0	1,800
Non-Instructional Programs		
Child Nutrition	0	70,647
Capital Assets - Student Occupied	0	0
Capital Assets - Non-Student Occupied	0	0
Debt Service - Principal	0	0
Debt Service - Interest	0	34,298
Total Expenditures	50,458	1,405,211
Excess (Deficiency) of Revenues		
Over Expenditures	100,000	261,398
Other Financing Sources (Uses)		
Transfers In	0	25,451
Transfers Out	0	(25,451)
Total Other Financing Sources (Uses)	0	0
Net Change in Fund Balances	100,000	261,398
Fund Balances - Beginning	2,402	45,640
Fund Balances - Ending	\$102,402	\$307,038

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

Page 3 of 3

**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 \$261,398

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 (13,681)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term debt in the statement of net assets. 0

In the statement of activities, interest is accrued on long-term debt, but the expenditure is reported when due in the 3,235

Change in Net Assets of Governmental Activities \$250,952

NORTH VALLEY ACADEMY CHARTER SCHOOL

Statement of Fiduciary Net Assets

June 30, 2011

	Agency Funds - Student Activity
Assets	
Cash	\$14,112
Total Assets	<u>\$14,112</u>
Liabilities	
Due to Student Groups	\$14,112
Total Liabilities	<u>14,112</u>
Net Assets	<u>0</u>
Total Net Assets	<u>0</u>
Total Liabilities and Net Assets	<u>\$14,112</u>

NORTH VALLEY ACADEMY CHARTER SCHOOL

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity – North Valley Academy 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.

NORTH VALLEY ACADEMY 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 child nutrition fund, which serves to account for providing nutritional meals to students (including subsidized meals), and the charter school grant fund, used for initial operations.

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

Fiduciary funds of the School include:

Agency Funds – Agency funds are used to account for assets held by the School on behalf of students.

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

NORTH VALLEY ACADEMY CHARTER SCHOOL

Notes to Financial Statements

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 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

NORTH VALLEY ACADEMY CHARTER SCHOOL

Notes to Financial Statements

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 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.

Nonmonetary Transactions – Items received via food commodities programs are recognized at their stated fair market value.

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.

NORTH VALLEY ACADEMY CHARTER SCHOOL
Notes to Financial Statements

B. CASH

Cash consists of the following at year end:

Cash - Deposits	\$303,703
Total	<u><u>\$303,703</u></u>

Deposits – At year end, the carrying amounts of the School's deposits were \$303,703 and the bank balances were \$357,077. Of the bank balances, \$265,637 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>
Local Sources		
Other Local Sources	\$16,029	
Total	<u><u>\$16,029</u></u>	
State Sources		
Foundation Program	\$27,045	
Special Programs	62,816	
Total	<u><u>\$89,861</u></u>	
Federal Sources		
Special Programs		\$109,476
Total		<u><u>\$109,476</u></u>

NORTH VALLEY ACADEMY CHARTER SCHOOL
Notes to Financial Statements

D. DEFERRED REVENUE

Deferred revenue consists of the following at year end:

<u>Description</u>	<u>Fund Financial Statements</u>	<u>Government Wide Financial Statements</u>
Grant Advances	\$86,341	\$86,341
Total	<u>\$86,341</u>	<u>\$86,341</u>

E. CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Nondepreciable Capital Assets				
Land	\$171,922			\$171,922
Total	<u>171,922</u>	<u>\$0</u>	<u>\$0</u>	<u>171,922</u>
Depreciable Capital Assets				
Buildings	515,766			515,766
Equipment	5,511			5,511
Subtotal	<u>521,277</u>	<u>0</u>	<u>0</u>	<u>521,277</u>
Accumulated Depreciation				
Buildings	12,894	12,894		25,788
Equipment	1,574	787		2,361
Subtotal	<u>14,468</u>	<u>13,681</u>	<u>0</u>	<u>28,149</u>
Total	<u>506,809</u>	<u>(13,681)</u>	<u>0</u>	<u>493,128</u>
Net Capital Assets	<u>\$678,731</u>	<u>(\$13,681)</u>	<u>\$0</u>	<u>\$665,050</u>

Depreciation expense of \$13,681 was charged to the capital assets – student occupied program.

NORTH VALLEY ACADEMY CHARTER SCHOOL
Notes to Financial Statements

F. LONG-TERM DEBT

At year end, the School's note payable was as follows:

Note payable due in monthly interest-only payments of \$2,858 with interest at 5.00% through 2010/11 (principal payments calculated at \$5,565 are scheduled to begin in 2011/12), secured by real estate, paid through the general fund	<u>\$685,000</u>
Total	<u><u>\$685,000</u></u>

Maturities on the note are estimated as follows:

<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>
6/30/12	\$29,821	\$36,959
6/30/13	34,807	31,973
6/30/14	36,588	30,192
6/30/15	38,460	28,320
6/30/16	40,427	26,353
6/30/17-21	235,363	98,537
6/30/22-26	269,534	32,145
Total	<u><u>\$685,000</u></u>	<u><u>\$284,479</u></u>

Changes in long-term debt are as follows:

<u>Description</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Note Payable	\$685,000			\$685,000	\$29,821
Total	<u><u>\$685,000</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$685,000</u></u>	<u><u>\$29,821</u></u>

Interest and related costs during the year amounted to \$31,063 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

NORTH VALLEY ACADEMY CHARTER SCHOOL

Notes to Financial Statements

for other political subdivisions to participate by contractual agreement with PERSI. After 5 years of credited service, members become fully vested in retirement benefits earned to date. Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. For each month of credited service, the annual service retirement allowance is 2.0% (2.3% police/firefighter) of the average monthly salary for the highest consecutive 42 months.

PERSI issues publicly available standalone financial reports that include audited financial statements and required supplementary information. These reports may be obtained from PERSI's website www.persi.idaho.gov.

The actuarially determined contribution requirements of the School and its employees are established and may be amended by the PERSI Board of Trustees. For the year ended June 30, 2011, the required contribution rate as a percentage of covered payrolls for members was 6.23% for general members and 7.69% for police/firefighters. The employer rate as a percentage of covered payroll was 10.39% for general members and 10.73% for police/firefighter members. The School's employer contributions required and paid were \$77,031, \$94,967, and \$55,299, for the three years ended June 30, 2011, 2010, and 2009 respectively.

H. INTERFUND BALANCES AND TRANSFERS

Interfund balances at year end consist of the following:

<u>Due To Fund</u>	<u>Due From Fund</u>		
	<u>Child Nutrition</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
General	\$34,464	\$17,971	\$52,435
Total	<u>\$34,464</u>	<u>\$17,971</u>	<u>\$52,435</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.

Interfund transfers during the year consist of the following:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>	<u>Purpose</u>
General		\$25,451	General support
Charter School Grant	\$25,451		General support
Total	<u>\$25,451</u>	<u>\$25,451</u>	

REQUIRED SUPPLEMENTAL INFORMATION

NORTH VALLEY ACADEMY CHARTER SCHOOL

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

General Fund	Budgeted Amounts		Actual	Final Budget
	(GAAP Basis)			
	Original	Final	Amounts	Variance
				Positive
				(Negative)
Revenues				
Local Revenue	\$1,500	\$2,000	\$21,053	\$19,053
State Revenue	1,387,556	1,387,556	1,359,543	(28,013)
Federal Revenue			54,194	54,194
Total Revenues	1,389,056	1,389,556	1,434,790	45,234
Expenditures				
Instructional Programs				
Elementary School	421,996	508,609	486,523	22,086
Secondary School	370,311	272,297	255,046	17,251
Exceptional Child	37,586	42,659	42,480	179
Interscholastic	49,381	44,905	33,822	11,083
School Activity			0	0
Support Service Programs				
Attendance - Guidance - Health	19,669	17,669	17,047	622
Special Services	10,000	11,801	10,807	994
Instructional Improvement	2,500	1,199	1,199	0
Educational Media	1,000	4,900	4,851	49
Board of Education	15,893	23,374	22,363	1,011
District Administration	73,230	62,459	43,003	19,456
School Administration	23,780	30,050	18,686	11,364
Business Operation	62,174	64,384	65,333	(949)
Buildings - Care	81,569	56,701	54,553	2,148
Maintenance - Non-Student Occupied		6,350	6,106	244
Maintenance - Student Occupied	36,511	30,511	32,834	(2,323)
Maintenance - Grounds	2,000	3,250	3,245	5
Pupil-To-School Transportation	91,000	113,600	113,514	86
Pupil-Activity Transportation		1,814	1,800	14
Non-Instructional Programs				
Child Nutrition			2,023	(2,023)
Capital Assets - Student Occupied			0	0
Capital Assets - Non-Student Occupied			0	0
Debt Service - Principal			0	0
Debt Service - Interest	64,073	64,073	34,298	29,775
Total Expenditures	1,362,673	1,360,605	1,249,533	111,072 *
Excess (Deficiency) of Revenues				
Over Expenditures	26,383	28,951	185,257	156,306
Other Financing Sources (Uses)				
Transfers In			0	0
Transfers Out	(20,000)	(5,935)	(25,451)	(19,516)
Total Other Financing Sources (Uses)	(20,000)	(5,935)	(25,451)	(19,516)
Net Change in Fund Balances	6,383	23,016	159,806	136,790
Fund Balances - Beginning	0	38,072	38,072	0
Fund Balances - Ending	\$6,383	\$61,088	\$197,878	\$136,790

*Total expenditures (over) under appropriations.

NORTH VALLEY ACADEMY CHARTER SCHOOL

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 Positive (Negative)
	Original	Final		
Revenues				
Local Revenue			\$0	\$0
State Revenue			0	0
Federal Revenue		\$47,800	0	(47,800)
Total Revenues	<u>\$0</u>	<u>47,800</u>	<u>0</u>	<u>(47,800)</u>
Expenditures				
Instructional Programs				
Elementary School		32,070	12,378	19,692
Secondary School		11,853	7,196	4,657
Exceptional Child			0	0
Interscholastic			0	0
School Activity			0	0
Support Service Programs				
Attendance - Guidance - Health			0	0
Special Services			0	0
Instructional Improvement			0	0
Educational Media			0	0
Board of Education			0	0
District Administration			0	0
School Administration		5,877	5,877	0
Business Operation			0	0
Buildings - Care			0	0
Maintenance - Non-Student Occupied			0	0
Maintenance - Student Occupied			0	0
Maintenance - Grounds			0	0
Pupil-To-School Transportation			0	0
Pupil-Activity Transportation			0	0
Non-Instructional Programs				
Child Nutrition			0	0
Capital Assets - Student Occupied			0	0
Capital Assets - Non-Student Occupied			0	0
Total Expenditures	<u>0</u>	<u>49,800</u>	<u>25,451</u>	<u>24,349</u> *
Excess (Deficiency) of Revenues				
Over Expenditures	0	(2,000)	(25,451)	(23,451)
Other Financing Sources (Uses)				
Transfers In			25,451	25,451
Transfers Out			0	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>25,451</u>	<u>25,451</u>
Net Change in Fund Balances	<u>0</u>	<u>(2,000)</u>	<u>0</u>	<u>2,000</u>
Fund Balances - Beginning	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances - Ending	<u>\$0</u>	<u>(\$2,000)</u>	<u>\$0</u>	<u>\$2,000</u>

*Total expenditures (over) under appropriations.

NORTH VALLEY ACADEMY CHARTER SCHOOL

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

Child Nutrition Fund	Budgeted Amounts		Actual	Final Budget
	(GAAP Basis)			
	Original	Final	Amounts	Variance
				Positive
				(Negative)
Revenues				
Local Revenue	\$20,097	\$20,097	\$18,996	(\$1,101)
Federal Revenue	34,800	44,800	62,365	17,565
Total Revenues	<u>54,897</u>	<u>64,897</u>	<u>81,361</u>	<u>16,464</u>
Expenditures				
Non-Instructional Programs				
Child Nutrition	66,652	70,832	68,624	2,208
Total Expenditures	<u>66,652</u>	<u>70,832</u>	<u>68,624</u>	<u>2,208</u> *
Excess (Deficiency) of Revenues				
Over Expenditures	(11,755)	(5,935)	12,737	18,672
Other Financing Sources (Uses)				
Transfers In	11,755	5,935	0	(5,935)
Transfers Out			0	0
Total Other Financing Sources (Uses)	<u>11,755</u>	<u>5,935</u>	<u>0</u>	<u>(5,935)</u>
Net Change in Fund Balances	<u>0</u>	<u>0</u>	<u>12,737</u>	<u>12,737</u>
Fund Balances - Beginning	<u>0</u>	<u>0</u>	<u>(5,979)</u>	<u>(5,979)</u>
Fund Balances - Ending	<u>\$0</u>	<u>\$0</u>	<u>\$6,758</u>	<u>\$6,758</u>

**Total expenditures (over) under appropriations.*

SUPPLEMENTARY INFORMATION

NORTH VALLEY ACADEMY CHARTER SCHOOL
 Combining Balance Sheet - Nonmajor Governmental Funds
 June 30, 2011

	Special Revenue Funds			Title I-A ESEA IBP
	Albertsons Fund	Professional Technical	Technology	
Assets				
Cash	\$100,000		\$2,402	
Receivables:				
Local Sources				
State Sources				
Federal Sources				\$53,678
Due From Other Funds				
Total Assets	\$100,000	\$0	\$2,402	\$53,678
Liabilities				
Accounts Payable				
Due To Other Funds				\$3,694
Salaries & Benefits Payable				742
Deferred Revenue				49,242
Total Liabilities	\$0	\$0	\$0	53,678
Fund Balances				
Restricted:				
Special Programs	100,000	0	2,402	0
Debt Service				
Capital Projects				
Unassigned				
Total Fund Balances	100,000	0	2,402	0
Total Liabilities and Fund Balances	\$100,000	\$0	\$2,402	\$53,678

NORTH VALLEY ACADEMY CHARTER SCHOOL
 Combining Balance Sheet - Nonmajor Governmental Funds
 June 30, 2011

	Special Revenue Funds			Total
	Special Educ. IDEA Part B	Title VI-B ESEA REAP	Title II-A Improving Teacher Quality	
Assets				
Cash				\$102,402
Receivables:				
Local Sources				0
State Sources				0
Federal Sources	\$45,570	\$5,000	\$5,228	109,476
Due From Other Funds				0
Total Assets	<u>\$45,570</u>	<u>\$5,000</u>	<u>\$5,228</u>	<u>\$211,878</u>
Liabilities				
Accounts Payable	\$59			\$59
Due To Other Funds	10,132	\$3,367	\$778	17,971
Salaries & Benefits Payable	2,226	1,633	504	5,105
Deferred Revenue	33,153		3,946	86,341
Total Liabilities	<u>45,570</u>	<u>5,000</u>	<u>5,228</u>	<u>109,476</u>
Fund Balances				
Restricted:				
Special Programs	0	0	0	102,402
Debt Service				0
Capital Projects				0
Unassigned				0
Total Fund Balances	<u>0</u>	<u>0</u>	<u>0</u>	<u>102,402</u>
Total Liabilities and Fund Balances	<u>\$45,570</u>	<u>\$5,000</u>	<u>\$5,228</u>	<u>\$211,878</u>

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

	Special Revenue Funds			Title I-A ESEA IBP
	Albertsons Fund	Professional Technical	Technology	
Revenues				
Local Revenue	\$100,000			
State Revenue		\$3,591		
Federal Revenue				\$20,431
Total Revenues	<u>100,000</u>	<u>3,591</u>	<u>\$0</u>	<u>20,431</u>
Expenditures				
Instructional Programs				
Elementary School				20,431
Secondary School		3,591		
Exceptional Child				
Interscholastic				
School Activity				
Support Service Programs				
Attendance - Guidance - Health				
Special Services				
Instructional Improvement				
Educational Media				
Board of Education				
District Administration				
School Administration				
Business Operation				
Buildings - Care				
Maintenance - Non-Student Occupied				
Maintenance - Student Occupied				
Maintenance - Grounds				
Pupil-To-School Transportation				
Pupil-Activity Transportation				
Non-Instructional Programs				
Child Nutrition				
Capital Assets - Student Occupied				
Capital Assets - Non-Student Occupied				
Total Expenditures	<u>0</u>	<u>3,591</u>	<u>0</u>	<u>20,431</u>
Excess (Deficiency) of Revenues Over Expenditures	100,000	0	0	0
Other Financing Sources (Uses)				
Transfers In				
Transfers Out				
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	100,000	0	0	0
Fund Balances - Beginning	0	0	2,402	0
Fund Balances - Ending	<u>\$100,000</u>	<u>\$0</u>	<u>\$2,402</u>	<u>\$0</u>

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

	Special Revenue Funds			Total
	Special Educ.	Title VI-B	Title II-A	
	IDEA Part B	ESEA REAP	Improving Teacher Quality	
Revenues				
Local Revenue				\$100,000
State Revenue				3,591
Federal Revenue	\$16,667	\$5,000	\$4,769	46,867
Total Revenues	<u>16,667</u>	<u>5,000</u>	<u>4,769</u>	<u>150,458</u>
Expenditures				
Instructional Programs				
Elementary School		5,000		25,431
Secondary School				3,591
Exceptional Child	16,667			16,667
Interscholastic				0
School Activity				0
Support Service Programs				
Attendance - Guidance - Health				0
Special Services				0
Instructional Improvement			4,769	4,769
Educational Media				0
Board of Education				0
District Administration				0
School Administration				0
Business Operation				0
Buildings - Care				0
Maintenance - Non-Student Occupied				0
Maintenance - Student Occupied				0
Maintenance - Grounds				0
Pupil-To-School Transportation				0
Pupil-Activity Transportation				0
Non-Instructional Programs				
Child Nutrition				0
Capital Assets - Student Occupied				0
Capital Assets - Non-Student Occupied				0
Total Expenditures	<u>16,667</u>	<u>5,000</u>	<u>4,769</u>	<u>50,458</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	0	100,000
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	100,000
Fund Balances - Beginning	0	0	0	2,402
Fund Balances - Ending	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$102,402</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
North Valley Academy Charter School

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of North Valley Academy 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 5, 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 5, 2011

NORTH VALLEY ACADEMY 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.