

TAYLOR'S CROSSING PUBLIC CHARTER SCHOOL

FINANCIAL STATEMENTS

Year Ended June 30, 2012

TAYLOR’S CROSSING PUBLIC CHARTER SCHOOL

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FINANCIAL SECTION

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Independent Auditor's Report

Board of Directors
Taylor's Crossing Public Charter School

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Taylor's Crossing Public Charter School (the School) as of and for the year ended June 30, 2012, 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, 2012 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, 2012 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 not presented the management's discussion and analysis information that governmental 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 3, 2012

BASIC FINANCIAL STATEMENTS

TAYLOR'S CROSSING PUBLIC CHARTER SCHOOL

Statement of Net Assets

June 30, 2012

	Governmental Activities
Assets	
Current Assets	
Cash & Investments	\$369,041
Receivables:	
Local Sources	5,779
State Sources	54,085
Federal Sources	12,530
Total Current Assets	<u>441,435</u>
Noncurrent Assets	
Nondepreciable Capital Assets	250,000
Depreciable Net Capital Assets	3,105,666
Total Noncurrent Assets	<u>3,355,666</u>
Total Assets	<u><u>\$3,797,101</u></u>
Liabilities	
Current Liabilities	
Accounts Payable	\$40,686
Salaries & Benefits Payable	0
Deferred Revenue	29,929
Long-Term Debt, Current	78,471
Total Current Liabilities	<u>149,086</u>
Noncurrent Liabilities	
Long-Term Debt, Noncurrent	3,825,662
Total Noncurrent Liabilities	<u>3,825,662</u>
Total Liabilities	<u><u>3,974,748</u></u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	(548,467)
Restricted:	
Special Programs	27,641
Debt Service	126,440
Capital Projects	0
Unrestricted	216,739
Total Net Assets	<u>(177,647)</u>
Total Liabilities and Net Assets	<u><u>\$3,797,101</u></u>

TAYLOR'S CROSSING PUBLIC CHARTER SCHOOL

Statement of Activities
Year Ended June 30, 2012

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u>
		<u>Charges For</u>	<u>Operating</u>	<u>Capital</u>	<u>Revenue And</u>
		<u>Services</u>	<u>Grants And</u>	<u>Grants And</u>	<u>Changes in</u>
			<u>Contributions</u>	<u>Contributions</u>	<u>Net Assets</u>
					<u>Governmental</u>
					<u>Activities</u>
Governmental Activities					
Instructional Programs					
Elementary School	\$685,415		\$78,269		(\$607,146)
Secondary School	473,854				(473,854)
Exceptional Child	99,057		95,960		(3,097)
Preschool Exceptional	0				0
Gifted & Talented	0				0
School Activity	440				(440)
Support Service Programs					
Instructional Improvement	68,489		47,470		(21,019)
Educational Media	4,773				(4,773)
Instruction-Related Technology	3,450		3,450		0
Board of Education	40,798				(40,798)
District Administration	262,048				(262,048)
Buildings - Care	71,198				(71,198)
Maintenance - Student Occupied	23,543				(23,543)
Maintenance - Grounds	8,106				(8,106)
Pupil-To-School Transportation	173,814				(173,814)
Non-Instructional Programs					
Child Nutrition	251,519	\$51,887	187,638		(11,994)
Capital Assets - Student Occupied	98,223				(98,223)
Capital Assets - Non-Student Occupied	0				0
Debt Service - Principal	0				0
Debt Service - Interest	242,207				(242,207)
Total	<u>\$2,506,934</u>	<u>\$51,887</u>	<u>\$412,787</u>	<u>\$0</u>	<u>(2,042,260)</u>
General Revenues					
					63,448
Local Revenue					1,977,275
State Revenue					0
Federal Revenue					<u>2,040,723</u>
Total					
Change in Net Assets					
					(1,537)
Net Assets - Beginning					
					(176,110)
Net Assets - Ending					
					<u>(\$177,647)</u>

TAYLOR'S CROSSING PUBLIC CHARTER SCHOOL

Balance Sheet - Governmental Funds

June 30, 2012

	General Fund	Child Nutrition Fund	Plant Facilities Fund	Other Governmental Funds
Assets				
Cash & Investments	\$322,702	\$17,353		\$28,986
Receivables:				
Local Sources	5,779			0
State Sources	54,085			0
Federal Sources				12,530
Due From Other Funds				0
Total Assets	<u>\$382,566</u>	<u>\$17,353</u>	<u>\$0</u>	<u>\$41,516</u>
Liabilities				
Accounts Payable	\$39,387			\$1,299
Due To Other Funds				0
Salaries & Benefits Payable				0
Deferred Revenue				29,929
Total Liabilities	<u>39,387</u>	<u>\$0</u>	<u>\$0</u>	<u>31,228</u>
Fund Balances				
Restricted:				
Special Programs		17,353		10,288
Debt Service	126,440			0
Capital Projects			0	0
Nonspendable				0
Unassigned	216,739			0
Total Fund Balances	<u>343,179</u>	<u>17,353</u>	<u>0</u>	<u>10,288</u>
Total Liabilities and Fund Balances	<u>\$382,566</u>	<u>\$17,353</u>	<u>\$0</u>	<u>\$41,516</u>

TAYLOR'S CROSSING PUBLIC CHARTER SCHOOL

Page 2 of 3

Balance Sheet - Governmental Funds

June 30, 2012

	Total Governmental Funds
Assets	
Cash & Investments	\$369,041
Receivables:	
Local Sources	5,779
State Sources	54,085
Federal Sources	12,530
Due From Other Funds	0
Total Assets	<u><u>\$441,435</u></u>
Liabilities	
Accounts Payable	\$40,686
Due To Other Funds	0
Salaries & Benefits Payable	0
Deferred Revenue	29,929
Total Liabilities	<u><u>70,615</u></u>
Fund Balances	
Restricted:	
Special Programs	27,641
Debt Service	126,440
Capital Projects	0
Nonspendable	0
Unassigned	216,739
Total Fund Balances	<u><u>370,820</u></u>
Total Liabilities and Fund Balances	<u><u>\$441,435</u></u>

Balance Sheet - Governmental Funds

June 30, 2012

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

Total Governmental Fund Balances	\$370,820
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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.	3,355,666
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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.	(3,904,133)
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Net Assets of Governmental Activities	<u><u>(\$177,647)</u></u>
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TAYLOR'S CROSSING PUBLIC CHARTER SCHOOL Page 1 of 3
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Governmental Funds
Year Ended June 30, 2012

	<u>General Fund</u>	<u>Child Nutrition Fund</u>	<u>Plant Facilities Fund</u>	<u>Other Governmental Funds</u>
Revenues				
Local Revenue	\$63,448	\$51,887		\$0
State Revenue	1,965,370			12,593
Federal Revenue	1,207	187,638		223,254
Total Revenues	<u>2,030,025</u>	<u>239,525</u>	<u>\$0</u>	<u>235,847</u>
Expenditures				
Instructional Programs				
Elementary School	608,353			77,062
Secondary School	473,854			0
Exceptional Child	3,097			95,960
Preschool Exceptional				0
Gifted & Talented				0
School Activity	440			0
Support Service Programs				
Instructional Improvement	21,019			47,470
Educational Media	4,773			0
Instruction-Related Technology				3,450
Board of Education	40,798			0
District Administration	262,048			0
Buildings - Care	71,198			0
Maintenance - Student Occupied	23,543			0
Maintenance - Grounds	8,106			0
Pupil-To-School Transportation	173,814			0
Non-Instructional Programs				
Child Nutrition	5,112	246,407		0
Capital Assets - Student Occupied	10,760			0
Capital Assets - Non-Student Occupied				0
Debt Service - Principal	73,861			0
Debt Service - Interest	242,207			0
Total Expenditures	<u>2,022,983</u>	<u>246,407</u>	<u>0</u>	<u>223,942</u>
Excess (Deficiency) of Revenues Over Expenditures	7,042	(6,882)	0	11,905
Other Financing Sources (Uses)				
Transfers In	31,003			0
Transfers Out		(8,373)	(19,868)	(2,762)
Total Other Financing Sources (Uses)	<u>31,003</u>	<u>(8,373)</u>	<u>(19,868)</u>	<u>(2,762)</u>
Net Change in Fund Balances	38,045	(15,255)	(19,868)	9,143
Fund Balances - Beginning	305,134	32,608	19,868	1,145
Fund Balances - Ending	<u>\$343,179</u>	<u>\$17,353</u>	<u>\$0</u>	<u>\$10,288</u>

TAYLOR'S CROSSING PUBLIC CHARTER SCHOOL Page 2 of 3
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Governmental Funds
Year Ended June 30, 2012

	<u>Total Governmental Funds</u>
Revenues	
Local Revenue	\$115,335
State Revenue	1,977,963
Federal Revenue	412,099
Total Revenues	<u>2,505,397</u>
Expenditures	
Instructional Programs	
Elementary School	685,415
Secondary School	473,854
Exceptional Child	99,057
Preschool Exceptional	0
Gifted & Talented	0
School Activity	440
Support Service Programs	
Instructional Improvement	68,489
Educational Media	4,773
Instruction-Related Technology	3,450
Board of Education	40,798
District Administration	262,048
Buildings - Care	71,198
Maintenance - Student Occupied	23,543
Maintenance - Grounds	8,106
Pupil-To-School Transportation	173,814
Non-Instructional Programs	
Child Nutrition	251,519
Capital Assets - Student Occupied	10,760
Capital Assets - Non-Student Occupied	0
Debt Service - Principal	73,861
Debt Service - Interest	242,207
Total Expenditures	<u>2,493,332</u>
Excess (Deficiency) of Revenues Over Expenditures	12,065
Other Financing Sources (Uses)	
Transfers In	31,003
Transfers Out	(31,003)
Total Other Financing Sources (Uses)	<u>0</u>
Net Change in Fund Balances	12,065
Fund Balances - Beginning	358,755
Fund Balances - Ending	<u><u>\$370,820</u></u>

TAYLOR'S CROSSING PUBLIC CHARTER SCHOOL
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Governmental Funds
Year Ended June 30, 2012

**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 \$12,065

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

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.

(87,463)

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

73,861

Change in Net Assets of Governmental Activities

(\$1,537)

TAYLOR'S CROSSING PUBLIC CHARTER SCHOOL

Statement of Fiduciary Net Assets

June 30, 2012

	Agency Funds - Student Activity
Assets	
Cash & Investments	\$3,063
Total Assets	<u>\$3,063</u>
Liabilities	
Due to Student Groups	\$3,063
Total Liabilities	<u>3,063</u>
Net Assets	
Total Net Assets	<u>0</u>
Total Liabilities and Net Assets	<u>\$3,063</u>

TAYLOR'S CROSSING PUBLIC CHARTER SCHOOL
Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity – Taylor's Crossing 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.

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.

TAYLOR'S CROSSING PUBLIC 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).

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

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 the amount of the transaction can be determined and "available" means collectible within the

TAYLOR'S CROSSING PUBLIC CHARTER SCHOOL

Notes to Financial Statements

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 and Investments – Nearly all the cash and investment balances of the School's funds are pooled for investment purposes. The individual funds' portions of the pooled cash and investments are reported in each fund as cash and investments. Interest earned on pooled cash and investments is allocated to the various funds in proportion to each fund's respective investment balance. Investments include monies invested in the local government investment pool and are stated at fair value using either quoted market prices or best available estimate. The reported value of the local government investment pool is materially the same as the fair value of its shares.

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.

TAYLOR'S CROSSING PUBLIC CHARTER SCHOOL

Notes to Financial Statements

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 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.

TAYLOR'S CROSSING PUBLIC CHARTER SCHOOL

Notes to Financial Statements

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 AND INVESTMENTS

Cash and investments consist of the following at year end:

Cash - Deposits	\$372,082
Investments - Local Government Investment Pool	<u>22</u>
Total	<u><u>\$372,104</u></u>

Deposits – At year end, the carrying amounts of the School's deposits were \$372,082 and the bank balances were \$400,014. Of the bank balances, \$350,922 was insured, and the balance was uninsured and uncollateralized.

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.

The local government investment pool is managed by the state treasurer's office and is invested in accordance with state statutes and regulations. Government accounting standards board statement 40 requires government entities to disclose credit quality ratings, concentration of credit risk, and interest rate risk on investment balances. Investments in the local government investment pool are, due to their nature, not required to be rated in terms of credit quality, and are excluded from the other disclosure requirements. These investments include insured or registered investments or investments for which the securities are held by the School or its agent in the School's name. Collateralized securities in the local government investment pool are held in trust by a safekeeping bank.

TAYLOR'S CROSSING PUBLIC CHARTER SCHOOL

Notes to Financial Statements

C. RECEIVABLES

Receivables consist of the following at year end:

	General Fund	Special Revenue Funds
Local Sources		
Other Local Sources	\$5,779	
Total	<u>\$5,779</u>	
State Sources		
Foundation Program	\$54,085	
Total	<u>\$54,085</u>	
Federal Sources		
Special Programs		\$12,530
Total		<u>\$12,530</u>

D. DEFERRED REVENUE

Deferred revenue consists of the following at year end:

Description	Fund Financial Statements	Government Wide Financial Statements
Grant Advances	\$29,929	\$29,929
Total	<u>\$29,929</u>	<u>\$29,929</u>

TAYLOR'S CROSSING PUBLIC CHARTER SCHOOL

Notes to Financial Statements

E. CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Nondepreciable Capital Assets				
Land	\$250,000			\$250,000
Total	250,000	\$0	\$0	250,000
Depreciable Capital Assets				
Buildings	3,449,377			3,449,377
Equipment	8,600			8,600
Subtotal	3,457,977	0	0	3,457,977
Accumulated Depreciation				
Buildings	258,702	86,234		344,936
Equipment	6,146	1,229		7,375
Subtotal	264,848	87,463	0	352,311
Total	3,193,129	(87,463)	0	3,105,666
Net Capital Assets	\$3,443,129	(\$87,463)	\$0	\$3,355,666

Depreciation expense of \$87,463 was charged to the capital assets – student occupied program.

F. LONG-TERM DEBT

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

Note payable - USDA, due in monthly payments of \$8,241 with interest at 4.25% through 2038/39, secured by real estate, paid through the general fund	\$1,578,349
Note payable - USB, due in monthly payments of \$18,098 with interest at 7.37% through 2038/39, secured by real estate and guaranteed by U.S. government, paid through the general fund	2,325,784
Total	\$3,904,133

TAYLOR'S CROSSING PUBLIC CHARTER SCHOOL

Notes to Financial Statements

Maturities on the notes are estimated as follows:

Year Ended	Principal	Interest
6/30/13	\$78,471	\$237,597
6/30/14	83,384	232,684
6/30/15	88,630	227,438
6/30/16	94,225	221,843
6/30/17	100,196	215,872
6/30/18-22	605,688	974,652
6/30/23-27	829,168	751,172
6/30/28-32	1,141,129	439,211
6/30/33-37	718,298	102,066
6/30/38-39	164,944	6,284
Total	\$3,904,133	\$3,408,819

Changes in long-term debt are as follows:

Description	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Note Payable - USDA	\$1,609,442		\$31,093	\$1,578,349	\$32,441
Note Payable - USB	2,368,552		42,768	2,325,784	46,030
Total	\$3,977,994	\$0	\$73,861	\$3,904,133	\$78,471

Interest and related costs during the year amounted to \$242,207 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.

TAYLOR'S CROSSING PUBLIC CHARTER SCHOOL

Notes to Financial Statements

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, 2012, 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. Additionally, PERSI administers the Sick Leave Insurance Reserve Fund which collects salary-based contributions for state and school employees while employed and pays insurance premiums at retirement based on a portion of the accumulated balance of their unused sick leave. State and school employers pre-fund this termination payment with contributions during active employment. The School's employer contributions required and paid were \$111,637, \$133,728, and \$118,455, for the three years ended June 30, 2012, 2011, and 2010 respectively.

H. INTERFUND BALANCES AND TRANSFERS

There were no interfund balances at year end.

Interfund transfers during the year consist of the following:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>	<u>Purpose</u>
General	\$31,003		Capital Outlay/Reimbursement
Child Nutrition		\$8,373	Reimbursement
Plant Facilities		19,868	Capital Outlay
Nonmajor Governmental		2,762	Reimbursement
Total	<u>\$31,003</u>	<u>\$31,003</u>	

REQUIRED SUPPLEMENTAL INFORMATION

TAYLOR'S CROSSING PUBLIC CHARTER SCHOOL

Budgetary Comparison Schedule -
General and Major Special Revenue Funds
Year Ended June 30, 2012

General Fund	Budgeted Amounts (GAAP Basis)		Actual Amounts	Final Budget Variance Positive (Negative)
	Original	Final		
Revenues				
Local Revenue	\$2,080	\$2,080	\$63,448	\$61,368
State Revenue	\$2,151,060	2,151,060	1,965,370	(185,690)
Federal Revenue	0	0	1,207	1,207
Total Revenues	2,153,140	2,153,140	2,030,025	(123,115)
Expenditures				
Instructional Programs				
Elementary School	568,480	568,480	608,353	(39,873)
Secondary School	478,240	478,240	473,854	4,386
Exceptional Child	35,242	35,242	3,097	32,145
Preschool Exceptional	0	0	0	0
Gifted & Talented	0	0	0	0
School Activity	0	0	440	(440)
Support Service Programs				
Instructional Improvement	15,000	15,000	21,019	(6,019)
Educational Media	6,029	6,029	4,773	1,256
Instruction-Related Technology	0	0	0	0
Board of Education	22,700	22,700	40,798	(18,098)
District Administration	260,083	260,083	262,048	(1,965)
Buildings - Care	119,948	119,948	71,198	48,750
Maintenance - Student Occupied	27,500	27,500	23,543	3,957
Maintenance - Grounds	7,500	7,500	8,106	(606)
Pupil-To-School Transportation	170,000	170,000	173,814	(3,814)
Non-Instructional Programs				
Child Nutrition	10,080	10,080	5,112	4,968
Capital Assets - Student Occupied	279,864	279,864	10,760	269,104
Capital Assets - Non-Student Occupied	0	0	0	0
Debt Service - Principal	38,000	38,000	73,861	(35,861)
Debt Service - Interest	278,068	278,068	242,207	35,861
Total Expenditures	2,316,734	2,316,734	2,022,983	293,751 *
Excess (Deficiency) of Revenues				
Over Expenditures	(163,594)	(163,594)	7,042	170,636
Other Financing Sources (Uses)				
Transfers In			31,003	31,003
Transfers Out			0	0
Total Other Financing Sources (Uses)	0	0	31,003	31,003
Net Change in Fund Balances	(163,594)	(163,594)	38,045	201,639
Fund Balances - Beginning	163,594	163,594	305,134	141,540
Fund Balances - Ending	\$0	\$0	\$343,179	\$343,179

*Total expenditures (over) under appropriations.

TAYLOR'S CROSSING PUBLIC CHARTER SCHOOL

Budgetary Comparison Schedule -
 General and Major Special Revenue Funds
 Year Ended June 30, 2012

	Budgeted Amounts (GAAP Basis)		Actual Amounts	Final Budget Variance Positive (Negative)
	Original	Final		
Child Nutrition Fund				
Revenues				
Local Revenue	\$61,000	\$61,000	\$51,887	(\$9,113)
Federal Revenue	67,400	67,400	187,638	120,238
Total Revenues	<u>128,400</u>	<u>128,400</u>	<u>239,525</u>	<u>111,125</u>
Expenditures				
Non-Instructional Programs				
Child Nutrition	128,400	128,400	246,407	(118,007)
Total Expenditures	<u>128,400</u>	<u>128,400</u>	<u>246,407</u>	<u>(118,007) *</u>
Excess (Deficiency) of Revenues				
Over Expenditures	0	0	(6,882)	(6,882)
Other Financing Sources (Uses)				
Transfers In	0	0	0	0
Transfers Out	0	0	(8,373)	(8,373)
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>(8,373)</u>	<u>(8,373)</u>
Net Change in Fund Balances	0	0	(15,255)	(15,255)
Fund Balances - Beginning	0	0	32,608	32,608
Fund Balances - Ending	<u>\$0</u>	<u>\$0</u>	<u>\$17,353</u>	<u>\$17,353</u>

**Total expenditures (over) under appropriations.*

SUPPLEMENTARY INFORMATION

TAYLOR'S CROSSING PUBLIC CHARTER SCHOOL
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2012

	Special Revenue Funds			
	Technology	Title I-A ESEA IBP	Special Educ. IDEA Part B	Title VI-B ESEA REAP
Assets				
Cash & Investments	\$10,288		\$14,399	\$1,299
Receivables:				
Local Sources				
State Sources				
Federal Sources		\$12,331		
Due From Other Funds				
Total Assets	<u>\$10,288</u>	<u>\$12,331</u>	<u>\$14,399</u>	<u>\$1,299</u>
Liabilities				
Accounts Payable				\$1,299
Due To Other Funds				
Salaries & Benefits Payable				
Deferred Revenue		\$12,331	\$14,399	
Total Liabilities	<u>\$0</u>	<u>12,331</u>	<u>14,399</u>	<u>1,299</u>
Fund Balances				
Restricted:				
Special Programs	10,288	0	0	0
Debt Service				
Capital Projects				
Nonspendable				
Unassigned				
Total Fund Balances	<u>10,288</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities and Fund Balances	<u>\$10,288</u>	<u>\$12,331</u>	<u>\$14,399</u>	<u>\$1,299</u>

TAYLOR'S CROSSING PUBLIC CHARTER SCHOOL
 Combining Balance Sheet - Nonmajor Governmental Funds
 June 30, 2012

	Special Revenue Funds	
	Title II-A	
	Improving	
	Teacher Quality	Total
Assets		
Cash & Investments	\$3,000	\$28,986
Receivables:		
Local Sources		0
State Sources		0
Federal Sources	199	12,530
Due From Other Funds		0
Total Assets	\$3,199	\$41,516
Liabilities		
Accounts Payable		\$1,299
Due To Other Funds		0
Salaries & Benefits Payable		0
Deferred Revenue	\$3,199	29,929
Total Liabilities	\$3,199	31,228
Fund Balances		
Restricted:		
Special Programs	0	10,288
Debt Service		0
Capital Projects		0
Nonspendable		0
Unassigned		0
Total Fund Balances	0	10,288
Total Liabilities and Fund Balances	\$3,199	\$41,516

TAYLOR'S CROSSING PUBLIC CHARTER SCHOOL
Combining Statement of Revenues, Expenditures, and Changes in
Fund Balances - Nonmajor Governmental Funds
Year Ended June 30, 2012

	Special Revenue Funds			
	Technology	Title I-A ESEA IBP	Special Educ. IDEA Part B	
Revenues				
Local Revenue				
State Revenue	\$12,593			
Federal Revenue		\$78,683	\$97,101	\$38,018
Total Revenues	<u>12,593</u>	<u>78,683</u>	<u>97,101</u>	<u>38,018</u>
Expenditures				
Instructional Programs				
Elementary School		75,921	1,141	
Secondary School				
Exceptional Child			95,960	
Preschool Exceptional Gifted & Talented School Activity				
Support Service Programs				
Instructional Improvement				38,018
Educational Media				
Instruction-Related Technology	3,450			
Board of Education District Administration Buildings - Care Maintenance - Student Occupied Maintenance - Grounds Pupil-To-School Transportation				
Non-Instructional Programs				
Child Nutrition Capital Assets - Student Occupied Capital Assets - Non-Student Occupied Debt Service - Principal Debt Service - Interest				
Total Expenditures	<u>3,450</u>	<u>75,921</u>	<u>97,101</u>	<u>38,018</u>
Excess (Deficiency) of Revenues Over Expenditures	9,143	2,762	0	0
Other Financing Sources (Uses)				
Transfers In				
Transfers Out		(2,762)		
Total Other Financing Sources (Uses)	<u>0</u>	<u>(2,762)</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	9,143	0	0	0
Fund Balances - Beginning	1,145	0	0	0
Fund Balances - Ending	<u>\$10,288</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

TAYLOR'S CROSSING PUBLIC CHARTER SCHOOL
Combining Statement of Revenues, Expenditures, and Changes in
Fund Balances - Nonmajor Governmental Funds
Year Ended June 30, 2012

	Special Revenue Funds	
	Title II-A Improving Teacher Quality	Total
Revenues		
Local Revenue		\$0
State Revenue		12,593
Federal Revenue	\$9,452	223,254
Total Revenues	9,452	235,847
Expenditures		
Instructional Programs		
Elementary School		77,062
Secondary School		0
Exceptional Child		95,960
Preschool Exceptional		0
Gifted & Talented		0
School Activity		0
Support Service Programs		
Instructional Improvement	9,452	47,470
Educational Media		0
Instruction-Related Technology		3,450
Board of Education		0
District Administration		0
Buildings - Care		0
Maintenance - Student Occupied		0
Maintenance - Grounds		0
Pupil-To-School Transportation		0
Non-Instructional Programs		
Child Nutrition		0
Capital Assets - Student Occupied		0
Capital Assets - Non-Student Occupied		0
Debt Service - Principal		0
Debt Service - Interest		0
Total Expenditures	9,452	223,942
Excess (Deficiency) of Revenues Over Expenditures	0	11,905
Other Financing Sources (Uses)		
Transfers In		0
Transfers Out		(2,762)
Total Other Financing Sources (Uses)	0	(2,762)
Net Change in Fund Balances	0	9,143
Fund Balances - Beginning	0	1,145
Fund Balances - Ending	\$0	\$10,288

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
Taylor's Crossing Public Charter School

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Taylor's Crossing Public Charter School (the School) as of and for the year ended June 30, 2012, which collectively comprise the School's basic financial statements and have issued our report thereon dated August 3, 2012. 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

Management of the School is responsible for establishing and maintaining effective 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 3, 2012

TAYLOR'S CROSSING PUBLIC CHARTER SCHOOL

Schedule of Findings and Responses

Year Ended June 30, 2012

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.