

**TAYLOR'S CROSSING PUBLIC CHARTER SCHOOL**

**FINANCIAL STATEMENTS**

**Year Ended June 30, 2013**

TAYLOR'S CROSSING PUBLIC CHARTER SCHOOL

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**FINANCIAL SECTION**

Audits  
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## Independent Auditor's Report

Board of Directors  
Taylor's Crossing Public Charter School

### Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness

of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **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, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the budgetary comparison information listed as required supplementary 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.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School's basic financial statements. The accompanying combining

fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or the basic 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 basic financial statements as a whole.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 9, 2013, 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* in considering the School's internal control over financial reporting and compliance.

***Quest CPAs, P.C.***

Payette, Idaho  
September 9, 2013

## **BASIC FINANCIAL STATEMENTS**

# TAYLOR'S CROSSING PUBLIC CHARTER SCHOOL

## Statement of Net Position

June 30, 2013

	<b>Governmental Activities</b>
<b>Assets</b>	
Current Assets	
Cash & Investments	\$385,284
Receivables:	
Local Sources	14,546
State Sources	46,856
Federal Sources	57,821
Total Current Assets	<u>504,507</u>
Noncurrent Assets	
Nondepreciable Capital Assets	250,000
Depreciable Net Capital Assets	3,026,317
Total Noncurrent Assets	<u>3,276,317</u>
<b>Total Assets</b>	<u><u>\$3,780,824</u></u>
<b>Liabilities</b>	
Current Liabilities	
Accounts Payable	\$12,874
Long-Term Debt, Current	83,384
Total Current Liabilities	<u>96,258</u>
Noncurrent Liabilities	
Long-Term Debt, Noncurrent	3,742,278
Total Noncurrent Liabilities	<u>3,742,278</u>
<b>Total Liabilities</b>	<u>3,838,536</u>
<b>Deferred Inflows of Resources</b>	
Current Deferred Inflows of Resources	
Unspent Grant Allocation	22,203
Total Current Deferred Inflows of Resources	<u>22,203</u>
<b>Total Deferred Inflows of Resources</b>	<u>22,203</u>
<b>Net Position</b>	
Net Investment in Capital Assets	(549,345)
Restricted:	
Special Programs	17,451
Debt Service	136,945
Capital Projects	0
Unrestricted	315,034
<b>Total Net Position</b>	<u>(79,915)</u>
<b>Total Liabilities and Deferred Inflows of Resources and Net Position</b>	<u><u>\$3,780,824</u></u>



**TAYLOR'S CROSSING PUBLIC CHARTER SCHOOL**

Statement of Activities  
Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue And Changes in Net Position
		Charges For Services	Operating Grants And Contributions	
<b>Governmental Activities</b>				
Instructional Programs				
Elementary School	\$813,134		\$72,798	(\$740,336)
Secondary School	454,684			(454,684)
Special Education	80,325		77,225	(3,100)
School Activity	1,449			(1,449)
Support Service Programs				
Instructional Improvement	96,261		74,756	(21,505)
Educational Media	4,884			(4,884)
Instruction-Related Technology	32,380		24,892	(7,488)
Board of Education	19,542			(19,542)
District Administration	240,587			(240,587)
Administrative Technology	39,805			(39,805)
Buildings - Care	64,431			(64,431)
Maintenance - Student Occupied	46,525			(46,525)
Maintenance - Grounds	1,875			(1,875)
Security	2,255			(2,255)
Pupil-To-School Transportation	120,494			(120,494)
Non-Instructional Programs				
Child Nutrition	153,463	\$36,926	114,797	(1,740)
Capital Assets - Student Occupied	87,667			(87,667)
Capital Assets - Non-Student Occupied	0			0
Debt Service - Principal	0			0
Debt Service - Interest	237,597			(237,597)
<b>Total</b>	<u>\$2,497,358</u>	<u>\$36,926</u>	<u>\$364,468</u>	<u>\$0</u>
<b>General Revenues</b>				
Local Revenue				61,507
State Revenue				2,132,189
Federal Revenue				0
<b>Total</b>				<u>2,193,696</u>
<b>Change in Net Position</b>				97,732
<b>Net Position - Beginning</b>				<u>(177,647)</u>
<b>Net Position - Ending</b>				<u>(\$79,915)</u>

TAYLOR'S CROSSING PUBLIC CHARTER SCHOOL

Balance Sheet - Governmental Funds

June 30, 2013

	<u>General Fund</u>	<u>Child Nutrition Fund</u>	<u>Other Governmental Funds</u>
<b>Assets</b>			
Cash & Investments	\$361,518	\$17,451	\$6,315
Receivables:			
Local Sources	14,546		0
State Sources	46,856		0
Federal Sources			57,821
Due From Other Funds	41,933		0
<b>Total Assets</b>	<u>\$464,853</u>	<u>\$17,451</u>	<u>\$64,136</u>
<b>Liabilities</b>			
Accounts Payable	\$12,874		\$0
Due To Other Funds			41,933
<b>Total Liabilities</b>	<u>12,874</u>	<u>\$0</u>	<u>41,933</u>
<b>Deferred Inflows of Resources</b>			
Unspent Grant Allocation			22,203
<b>Total Deferred Inflows of Resources</b>	<u>0</u>	<u>0</u>	<u>22,203</u>
<b>Fund Balances</b>			
Restricted:			
Special Programs		17,451	0
Debt Service	136,945		0
Capital Projects			0
Unassigned	315,034		0
<b>Total Fund Balances</b>	<u>451,979</u>	<u>17,451</u>	<u>0</u>
<b>Total Liabilities and Deferred Inflows of Resources and Fund Balances</b>	<u>\$464,853</u>	<u>\$17,451</u>	<u>\$64,136</u>

**TAYLOR'S CROSSING PUBLIC CHARTER SCHOOL**

Balance Sheet - Governmental Funds

June 30, 2013

	<b>Total Governmental Funds</b>
	<u>                    </u>
<b>Assets</b>	
Cash & Investments	\$385,284
Receivables:	
Local Sources	14,546
State Sources	46,856
Federal Sources	57,821
Due From Other Funds	<u>41,933</u>
<b>Total Assets</b>	<u><u>\$546,440</u></u>
<b>Liabilities</b>	
Accounts Payable	\$12,874
Due To Other Funds	<u>41,933</u>
<b>Total Liabilities</b>	<u>54,807</u>
<b>Deferred Inflows of Resources</b>	
Unspent Grant Allocation	<u>22,203</u>
<b>Total Deferred Inflows of Resources</b>	<u>22,203</u>
<b>Fund Balances</b>	
Restricted:	
Special Programs	17,451
Debt Service	136,945
Capital Projects	0
Unassigned	<u>315,034</u>
<b>Total Fund Balances</b>	<u>469,430</u>
<b>Total Liabilities and Deferred Inflows of Resources and Fund Balances</b>	<u><u>\$546,440</u></u>

## Balance Sheet - Governmental Funds

June 30, 2013

**Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities**

<b>Total Governmental Fund Balances</b>	\$469,430
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	3,276,317
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Certain liabilities are not due and payable in the current period and therefore are not reported in the funds.	(3,825,662)
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<b>Net Position of Governmental Activities</b>	<u><u>(\$79,915)</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, 2013

	<b>General Fund</b>	<b>Child Nutrition Fund</b>	<b>Other Governmental Funds</b>
<b>Revenues</b>			
Local Revenue	\$61,507	\$36,926	\$0
State Revenue	2,132,189		22,092
Federal Revenue		114,797	227,579
<b>Total Revenues</b>	<b>2,193,696</b>	<b>151,723</b>	<b>249,671</b>
<b>Expenditures</b>			
Instructional Programs			
Elementary School	740,336		72,798
Secondary School	454,684		0
Special Education	3,100		77,225
School Activity	1,449		0
Support Service Programs			
Instructional Improvement	21,505		74,756
Educational Media	4,884		0
Instruction-Related Technology			32,380
Board of Education	19,542		0
District Administration	240,587		0
Administrative Technology	39,805		0
Buildings - Care	64,431		0
Maintenance - Student Occupied	46,525		0
Maintenance - Grounds	1,875		0
Security	2,255		0
Pupil-To-School Transportation	120,494		0
Non-Instructional Programs			
Child Nutrition	3,838	149,625	0
Capital Assets - Student Occupied	8,318		0
Capital Assets - Non-Student Occupied			0
Debt Service - Principal	78,471		0
Debt Service - Interest	237,597		0
<b>Total Expenditures</b>	<b>2,089,696</b>	<b>149,625</b>	<b>257,159</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>104,000</b>	<b>2,098</b>	<b>(7,488)</b>
<b>Other Financing Sources (Uses)</b>			
Transfers In	4,800	0	0
Transfers Out	0	(2,000)	(2,800)
<b>Total Other Financing Sources (Uses)</b>	<b>4,800</b>	<b>(2,000)</b>	<b>(2,800)</b>
<b>Net Change in Fund Balances</b>	<b>108,800</b>	<b>98</b>	<b>(10,288)</b>
<b>Fund Balances - Beginning</b>	<b>343,179</b>	<b>17,353</b>	<b>10,288</b>
<b>Fund Balances - Ending</b>	<b>\$451,979</b>	<b>\$17,451</b>	<b>\$0</b>

**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, 2013

	<u><b>Total Governmental Funds</b></u>
<b>Revenues</b>	
Local Revenue	\$98,433
State Revenue	2,154,281
Federal Revenue	342,376
<b>Total Revenues</b>	<u>2,595,090</u>
<b>Expenditures</b>	
Instructional Programs	
Elementary School	813,134
Secondary School	454,684
Special Education	80,325
School Activity	1,449
Support Service Programs	
Instructional Improvement	96,261
Educational Media	4,884
Instruction-Related Technology	32,380
Board of Education	19,542
District Administration	240,587
Administrative Technology	39,805
Buildings - Care	64,431
Maintenance - Student Occupied	46,525
Maintenance - Grounds	1,875
Security	2,255
Pupil-To-School Transportation	120,494
Non-Instructional Programs	
Child Nutrition	153,463
Capital Assets - Student Occupied	8,318
Capital Assets - Non-Student Occupied	0
Debt Service - Principal	78,471
Debt Service - Interest	237,597
<b>Total Expenditures</b>	<u>2,496,480</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	98,610
<b>Other Financing Sources (Uses)</b>	
Transfers In	4,800
Transfers Out	(4,800)
<b>Total Other Financing Sources (Uses)</b>	<u>0</u>
<b>Net Change in Fund Balances</b>	98,610
<b>Fund Balances - Beginning</b>	370,820
<b>Fund Balances - Ending</b>	<u><u>\$469,430</u></u>

**TAYLOR'S CROSSING PUBLIC CHARTER SCHOOL**  
Statement of Revenues, Expenditures, and Changes in Fund Balances -  
Governmental Funds  
Year Ended June 30, 2013

**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** \$98,610

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

Government funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the excess of capital outlays over (under) depreciation expense in the current period. (79,349)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term debt in the statement of net position. 78,471

**Change in Net Position of Governmental Activities** \$97,732

**TAYLOR'S CROSSING PUBLIC CHARTER SCHOOL**

Statement of Fiduciary Net Position

June 30, 2013

	<b>Agency Funds - Student Activity</b>
<b>Assets</b>	
Cash & Investments	\$3,941
<b>Total Assets</b>	<u>\$3,941</u>
<b>Liabilities</b>	
Due to Student Groups	\$3,941
<b>Total Liabilities</b>	<u>3,941</u>
<b>Net Position</b>	<u>0</u>
<b>Total Net Position</b>	<u>0</u>
<b>Total Liabilities and Net Position</b>	<u>\$3,941</u>



**TAYLOR'S CROSSING PUBLIC CHARTER SCHOOL**  
Notes to Financial Statements

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**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 position, 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 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

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The government-wide focus is more on the sustainability of the School as an entity and the change in the School's net position 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).

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 and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual (when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or within thirty days after year end. Expenditures are recorded when the related fund liability is incurred. Exceptions to this general rule include principal and interest on long-term debt which, if any, are recognized when due and payable.

The School may report deferred inflows of resources on its financial statements. For the fund financial statements, deferred inflows of resources arise when assets (i.e. receivables) are

## TAYLOR'S CROSSING PUBLIC CHARTER SCHOOL

### Notes to Financial Statements

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recorded before the related revenues are available (i.e. before both the "measurable" and "available" criteria for revenue recognition in the current period are met). 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. At yearend, any unspent grant allocations are reported as receivables and offset by deferred inflows of resources in an account called unspent grant allocation.

**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 Position** – Net position is assets plus deferred outflows of resources (when they exist) less liabilities less deferred inflows of resources (when they exist). The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by any outstanding debt that are attributable to the acquisition, improvement, or construction of those assets and adjusted for any related deferred outflows or inflows of resources (when they exist). Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources (when they exist) related to those assets. Restricted assets are assets less related debt that are subject to constraints on their use by creditors, grantors, contributors, legislation, and other parties.

## TAYLOR'S CROSSING PUBLIC CHARTER SCHOOL

### Notes to Financial Statements

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**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 then assigned resources before using unassigned 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

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**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	\$389,203
Investments - Local Government Investment Pool	22
<b>Total</b>	<u><u>\$389,225</u></u>

**Deposits** – At year end, the carrying amounts of the School's deposits were \$389,203 and the bank balances were \$489,965. Of the bank balances, \$393,404 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

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**C. RECEIVABLES**

Receivables consist of the following at year end:

	<u>General Fund</u>	<u>Special Revenue Funds</u>
Local Sources		
Reimbursements	\$14,546	
<b>Total</b>	<u>\$14,546</u>	
State Sources		
Foundation Program	\$46,856	
<b>Total</b>	<u>\$46,856</u>	
Federal Sources		
Special Programs		\$57,821
<b>Total</b>		<u>\$57,821</u>

**TAYLOR'S CROSSING PUBLIC CHARTER SCHOOL**

Notes to Financial Statements

**D. CAPITAL ASSETS**

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Nondepreciable Capital Assets				
Land	\$250,000			\$250,000
<b>Total</b>	<u>250,000</u>	<u>\$0</u>	<u>\$0</u>	<u>250,000</u>
Depreciable Capital Assets				
Buildings	3,449,377	8,318		3,457,695
Equipment	8,600			8,600
Subtotal	<u>3,457,977</u>	<u>8,318</u>	<u>0</u>	<u>3,466,295</u>
Accumulated Depreciation				
Buildings	344,936	86,442		431,378
Equipment	7,375	1,225		8,600
Subtotal	<u>352,311</u>	<u>87,667</u>	<u>0</u>	<u>439,978</u>
<b>Total</b>	<u>3,105,666</u>	<u>(79,349)</u>	<u>0</u>	<u>3,026,317</u>
<b>Net Capital Assets</b>	<u><u>\$3,355,666</u></u>	<u><u>(\$79,349)</u></u>	<u><u>\$0</u></u>	<u><u>\$3,276,317</u></u>

Depreciation expense of \$87,667 was charged to the capital assets – student occupied program.

**E. 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	\$1,545,908
Note payable - USB, due in monthly payments of \$18,098 with interest at 7.37% through 2033/34, secured by real estate and guaranteed by U.S. government, paid through the general fund	<u>2,279,754</u>
<b>Total</b>	<u><u>\$3,825,662</u></u>

**TAYLOR'S CROSSING PUBLIC CHARTER SCHOOL**  
Notes to Financial Statements

Maturities on the notes are estimated as follows:

<b>Year Ended</b>	<b>Principal</b>	<b>Interest</b>
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	106,569	209,499
6/30/19-23	644,671	935,669
6/30/24-28	883,489	696,851
6/30/29-33	1,217,133	363,207
6/30/34-38	536,116	67,072
6/30/39	71,249	1,087
<b>Total</b>	<b>\$3,825,662</b>	<b>\$3,171,222</b>

Changes in long-term debt are as follows:

<b>Description</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
Note Payable - USDA	\$1,578,349		\$32,441	\$1,545,908	\$33,846
Note Payable - USB	2,325,784		46,030	2,279,754	49,538
<b>Total</b>	<b>\$3,904,133</b>	<b>\$0</b>	<b>\$78,471</b>	<b>\$3,825,662</b>	<b>\$83,384</b>

Interest and related costs during the year amounted to \$237,597 and were charged to the debt service – interest program.

**F. 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](http://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, 2013, 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 \$126,909, \$111,637, and \$133,728, for the three years ended June 30, 2013, 2012, and 2011 respectively.

**G. INTERFUND BALANCES AND TRANSFERS**

Interfund balances at year end consist of the following:

<b>Due To Fund</b>	<b>Due From Fund</b>	
	Nonmajor Governmental	Total
General	\$41,933	\$41,933
<b>Total</b>	<b>\$41,933</b>	<b>\$41,933</b>

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:

<b>Fund</b>	<b>Transfer In</b>	<b>Transfer Out</b>	<b>Purpose</b>
General	\$4,800		Reimbursement
Child Nutrition		\$2,000	Reimbursement
Nonmajor Governmental		2,800	Reimbursement
<b>Total</b>	<b>\$4,800</b>	<b>\$4,800</b>	

**REQUIRED SUPPLEMENTARY INFORMATION**

TAYLOR'S CROSSING PUBLIC CHARTER SCHOOL

Budgetary Comparison Schedule -  
General and Major Special Revenue Funds  
Year Ended June 30, 2013

General Fund	Budgeted Amounts (GAAP Basis)		Actual Amounts	Final Budget Variance Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Local Revenue	\$8,000	\$79,000	\$61,507	(\$17,493)
State Revenue	1,951,100	2,105,075	2,132,189	27,114
Federal Revenue	0	0	0	0
<b>Total Revenues</b>	<u>1,959,100</u>	<u>2,184,075</u>	<u>2,193,696</u>	<u>9,621</u>
<b>Expenditures</b>				
Instructional Programs				
Elementary School	604,200	745,900	740,336	5,564
Secondary School	468,750	454,250	454,684	(434)
Special Education	9,021	3,100	3,100	0
School Activity	0	1,500	1,449	51
Support Service Programs				
Instructional Improvement	15,000	20,000	21,505	(1,505)
Educational Media	4,900	4,900	4,884	16
Instruction-Related Technology	0	0	0	0
Board of Education	15,400	20,650	19,542	1,108
District Administration	248,800	245,200	240,587	4,613
Administrative Technology	0	35,300	39,805	(4,505)
Buildings - Care	75,200	66,900	64,431	2,469
Maintenance - Student Occupied	41,500	48,800	46,525	2,275
Maintenance - Grounds	7,500	28,000	1,875	26,125
Security		0	2,255	(2,255)
Pupil-To-School Transportation	130,000	120,000	120,494	(494)
Non-Instructional Programs				
Child Nutrition	6,000	4,000	3,838	162
Capital Assets - Student Occupied	0	8,320	8,318	2
Capital Assets - Non-Student Occupied	0	0	0	0
Debt Service - Principal	43,000	43,000	78,471	(35,471)
Debt Service - Interest	274,000	274,000	237,597	36,403
<b>Total Expenditures</b>	<u>1,943,271</u>	<u>2,123,820</u>	<u>2,089,696</u>	<u>34,124 *</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	15,829	60,255	104,000	43,745
<b>Other Financing Sources (Uses)</b>				
Transfers In	10,000	5,000	4,800	(200)
Transfers Out	0	0	0	0 *
<b>Total Other Financing Sources (Uses)</b>	<u>10,000</u>	<u>5,000</u>	<u>4,800</u>	<u>(200)</u>
<b>Net Change in Fund Balances</b>	25,829	65,255	108,800	43,545
<b>Fund Balances - Beginning</b>	335,800	343,180	343,179	(1)
<b>Fund Balances - Ending</b>	<u>\$361,629</u>	<u>\$408,435</u>	<u>\$451,979</u>	<u>\$43,544</u>

\*Total expenditures (over) under appropriations are: \$34,124

Budgetary Comparison Schedule -  
 General and Major Special Revenue Funds  
 Year Ended June 30, 2013

	Budgeted Amounts (GAAP Basis)		Actual Amounts	Final Budget Variance Positive (Negative)
	Original	Final		
<b>Child Nutrition Fund</b>				
<b>Revenues</b>				
Local Revenue	\$40,000	\$40,850	\$36,926	(\$3,924)
Federal Revenue	119,600	110,000	114,797	4,797
<b>Total Revenues</b>	<u>159,600</u>	<u>150,850</u>	<u>151,723</u>	<u>873</u>
<b>Expenditures</b>				
Non-Instructional Programs				
Child Nutrition	155,100	148,500	149,625	(1,125)
<b>Total Expenditures</b>	<u>155,100</u>	<u>148,500</u>	<u>149,625</u>	<u>(1,125) *</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	4,500	2,350	2,098	(252)
<b>Other Financing Sources (Uses)</b>				
Transfers In	0	0	0	0
Transfers Out	0	0	(2,000)	(2,000) *
<b>Total Other Financing Sources (Uses)</b>	<u>0</u>	<u>0</u>	<u>(2,000)</u>	<u>(2,000)</u>
<b>Net Change in Fund Balances</b>	4,500	2,350	98	(2,252)
<b>Fund Balances - Beginning</b>	23,770	17,344	17,353	9
<b>Fund Balances - Ending</b>	<u>\$28,270</u>	<u>\$19,694</u>	<u>\$17,451</u>	<u>(\$2,243)</u>
				<u>(\$3,125)</u>

*\*Total expenditures (over) under appropriations are:*

**SUPPLEMENTARY INFORMATION**

**TAYLOR'S CROSSING PUBLIC CHARTER SCHOOL**  
Combining Balance Sheet - Nonmajor Governmental Funds  
June 30, 2013

	<b>Special Revenue Funds</b>			
	<b>Technology</b>	<b>Title I-A ESEA IBP</b>	<b>Special Educ. IDEA Part B</b>	<b>Title VI-B ESEA REAP</b>
<b>Assets</b>				
Cash & Investments			\$4,595	
Receivables:				
Local Sources				
State Sources				
Federal Sources		\$23,421		\$34,400
Due From Other Funds				
<b>Total Assets</b>	<u>\$0</u>	<u>\$23,421</u>	<u>\$4,595</u>	<u>\$34,400</u>
<b>Liabilities</b>				
Accounts Payable				
Due To Other Funds		\$7,533		\$34,400
<b>Total Liabilities</b>	<u>\$0</u>	<u>7,533</u>	<u>\$0</u>	<u>34,400</u>
<b>Deferred Inflows of Resources</b>				
Unspent Grant Allocation		15,888	4,595	
<b>Total Deferred Inflows of Resources</b>	<u>0</u>	<u>15,888</u>	<u>4,595</u>	<u>0</u>
<b>Fund Balances</b>				
Restricted:				
Special Programs				
Debt Service				
Capital Projects				
Unassigned				
<b>Total Fund Balances</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total Liabilities and Deferred Inflows of Resources and Fund Balances</b>	<u>\$0</u>	<u>\$23,421</u>	<u>\$4,595</u>	<u>\$34,400</u>

**TAYLOR'S CROSSING PUBLIC CHARTER SCHOOL**  
 Combining Balance Sheet - Nonmajor Governmental Funds  
 June 30, 2013

	<b>Special Revenue Funds</b>	
	<b>Title II-A Improving Teacher Quality</b>	<b>Total</b>
<b>Assets</b>		
Cash & Investments	\$1,720	\$6,315
Receivables:		
Local Sources		0
State Sources		0
Federal Sources		57,821
Due From Other Funds		0
<b>Total Assets</b>	<b>\$1,720</b>	<b>\$64,136</b>
<b>Liabilities</b>		
Accounts Payable		\$0
Due To Other Funds		41,933
<b>Total Liabilities</b>	<b>\$0</b>	<b>41,933</b>
<b>Deferred Inflows of Resources</b>		
Unspent Grant Allocation	1,720	22,203
<b>Total Deferred Inflows of Resources</b>	<b>1,720</b>	<b>22,203</b>
<b>Fund Balances</b>		
Restricted:		
Special Programs		0
Debt Service		0
Capital Projects		0
Unassigned		0
<b>Total Fund Balances</b>	<b>0</b>	<b>0</b>
<b>Total Liabilities and Deferred Inflows of Resources and Fund Balances</b>	<b>\$1,720</b>	<b>\$64,136</b>

**TAYLOR'S CROSSING PUBLIC CHARTER SCHOOL**  
Combining Statement of Revenues, Expenditures, and Changes in  
Fund Balances - Nonmajor Governmental Funds  
Year Ended June 30, 2013

	<b>Special Revenue Funds</b>			
	<b>Technology</b>	<b>Title I-A ESEA IBP</b>	<b>Special Educ. IDEA Part B</b>	
<b>Revenues</b>				
Local Revenue				
State Revenue	\$22,092			
Federal Revenue		\$75,598	\$77,225	\$64,946
<b>Total Revenues</b>	<u>22,092</u>	<u>75,598</u>	<u>77,225</u>	<u>64,946</u>
<b>Expenditures</b>				
Instructional Programs				
Elementary School		72,798		
Secondary School				
Special Education			77,225	
School Activity				
Support Service Programs				
Instructional Improvement				64,946
Educational Media				
Instruction-Related Technology	32,380			
Board of Education				
District Administration				
Administrative Technology				
Buildings - Care				
Maintenance - Student Occupied				
Maintenance - Grounds				
Security				
Pupil-To-School Transportation				
Non-Instructional Programs				
Child Nutrition				
Capital Assets - Student Occupied				
Capital Assets - Non-Student Occupied				
Debt Service - Principal				
Debt Service - Interest				
<b>Total Expenditures</b>	<u>32,380</u>	<u>72,798</u>	<u>77,225</u>	<u>64,946</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	(10,288)	2,800	0	0
<b>Other Financing Sources (Uses)</b>				
Transfers In	0	0	0	0
Transfers Out	0	(2,800)	0	0
<b>Total Other Financing Sources (Uses)</b>	<u>0</u>	<u>(2,800)</u>	<u>0</u>	<u>0</u>
<b>Net Change in Fund Balances</b>	(10,288)	0	0	0
<b>Fund Balances - Beginning</b>	10,288	0	0	0
<b>Fund Balances - Ending</b>	<u>\$0</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, 2013

	<b>Special Revenue Funds</b>	
	<b>Title II-A Improving Teacher Quality</b>	<b>Total</b>
<b>Revenues</b>		
Local Revenue		\$0
State Revenue		22,092
Federal Revenue	\$9,810	227,579
<b>Total Revenues</b>	9,810	249,671
<b>Expenditures</b>		
Instructional Programs		
Elementary School		72,798
Secondary School		0
Special Education		77,225
School Activity		0
Support Service Programs		
Instructional Improvement	9,810	74,756
Educational Media		0
Instruction-Related Technology		32,380
Board of Education		0
District Administration		0
Administrative Technology		0
Buildings - Care		0
Maintenance - Student Occupied		0
Maintenance - Grounds		0
Security		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
<b>Total Expenditures</b>	9,810	257,159
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	0	(7,488)
<b>Other Financing Sources (Uses)</b>		
Transfers In	0	0
Transfers Out	0	(2,800)
<b>Total Other Financing Sources (Uses)</b>	0	(2,800)
<b>Net Change in Fund Balances</b>	0	(10,288)
<b>Fund Balances - Beginning</b>	0	10,288
<b>Fund Balances - Ending</b>	\$0	\$0

**OTHER REPORTS AND SCHEDULES**

Audits  
Taxes  
Special Services



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**Independent Auditor's Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial Statements  
Statements Performed in Accordance With *Government Auditing Standards***

Board of Directors  
Taylor's Crossing Public Charter School

We have audited, in accordance with the 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, 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, 2013, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated September 9, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

*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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain

deficiency in internal control, described in the accompanying schedule of findings and responses as B-1 that we consider to be a significant deficiency.

### **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*.

### **School's Response to Finding**

The School's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The School's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

***Quest CPAs, P.C.***

Payette, Idaho  
September 9, 2013

**TAYLOR'S CROSSING PUBLIC CHARTER SCHOOL**  
Schedule of Findings and Responses  
Year Ended June 30, 2013

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**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 disclosed during the audit of the financial statements is reported in the Independent Auditor's 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 *Government Auditing Standards*. No material weaknesses are reported.
3. No instances of noncompliance material to the financial statements of the School, which would be required to be reported in accordance *Government Auditing Standards*, 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.