

**FINANCIAL STATEMENTS AND REPORTS OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
TIDIOUTE COMMUNITY CHARTER SCHOOL**

June 30, 2012

Root, Spitznas & Smiley, Inc.
Certified Public Accountants

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INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
TIDIOUTE COMMUNITY CHARTER SCHOOL**

June 30, 2012

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Independent Auditor's Report

Members of the Board of Trustees
Tidioute Community Charter School

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Tidioute Community Charter School, as of and for the year ended June 30, 2012, which collectively comprise the Charter School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Tidioute Community Charter 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 opinion.

As explained in Note A, the accompanying financial statements are prepared in conformity with the accounting practices prescribed or permitted by the Pennsylvania Department of Education Fiscal Regulations, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Tidioute Community Charter School, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with the basis of accounting described in Note A.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2012, on our consideration of the Tidioute Community Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and 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 management's discussion and analysis on pages 3 through 9 be presented to supplement the basic financial statements. Such 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, or 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.

Root, Spitznagel and Smiley, Inc.

December 20, 2012

Tidioute Community Charter School
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2012
Required Supplementary Information

Our discussion and analysis of the Tidioute Community Charter School's (TCCS) financial performance provides an overview of TCCS's financial activities for the fiscal year ended June 30, 2012.

Financial Highlights

TCCS' total net assets were \$3,953,322 as of June 30, 2012. June 30, 2012 marked the end of TCCS's seventh year of operation. Local Sources accounted for 89.6% of total revenues, State Sources contributed 2.9%, and Federal Sources contributed the remaining 7.5%.

The General Fund reported a positive fund balance of \$2,514,034.

Using the Annual Financial Report

This annual financial report consists of a series of financial statements and notes to those statements. The statements are developed to present the net assets and the changes in them.

Reporting the Tidioute Community Charter School as a Whole

These statements include all assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into consideration regardless of when the cash is received or paid.

Reporting the Tidioute Community Charter School's Most Significant Funds

Fund Financial Statements

TCCS utilizes three types of funds; Governmental, Proprietary and Fiduciary.

Governmental Funds

Most of TCCS's activities are reported in governmental funds, which focuses on how money flows into and out of that fund and the balance left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of TCCS's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or less financial resources available to spend in the near future to finance TCCS's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and the governmental fund is reconciled in the basic financial statements.

Proprietary Funds

Proprietary Funds use the accrual basis of accounting, the same as on the government-wide statements, therefore the statements will essentially match the business-type activities portion of the government-wide statements.

Tidioute Community Charter School
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2012
Required Supplementary Information

Fiduciary Funds

TCCS is the trustee, or fiduciary, for its Endowment Fund. All of TCCS's fiduciary activities are reported on separate Statements of Fiduciary Net Assets. We exclude these activities from TCCS's other financial statements because the asset cannot be utilized by TCCS to finance its operation.

Government-wide Financial Analysis

The government-wide financial statements are designed to provide a broad overview of the TCCS's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the TCCS's financial status as a whole.

The two government-wide statements report the TCCS's net assets and how they have changed. Net assets are the difference between the TCCS's total assets and total liabilities. Measuring net assets is one way to gauge the TCCS's financial condition.

As noted earlier, net assets may serve over time as a useful indicator of an organization's financial position. In the case of TCCS, assets exceeded liabilities by \$3.95 million at the close of the most recent fiscal year. This is an increase of \$.11 million (2.8%) over the prior year. Current and other Assets for 2012 increased by \$190,616 offsetting a \$79,061 increase in Current Liabilities accounting for the majority of this result.

The portion of TCCS's net assets reflecting its investment in capital assets less any related outstanding debt used to acquire those assets is 28.4%. TCCS used capital assets to provide services; consequently, these assets are not available for future spending. Although TCCS's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An analysis of net assets for fiscal year ended June 30, 2012 follows:

	<u>Net Assets</u>					
	Governmental Activities 2012	Business- Type Activities 2012	Total 2012	Governmental Activities 2011	Business- Type Activities 2011	Total 2011
Current and other Assets (\$)	2,849,005	207,358	3,056,363	2,692,196	173,551	2,865,747
Capital Assets	1,190,767	23,034	1,213,801	1,191,259	25,255	1,216,514
Total Assets	4,039,772	230,392	4,270,164	3,883,455	198,806	4,082,261
Current Liabilities	327,801	(10,959)	316,842	237,781	0	237,781
Long Term Liabilities	0	0	0	0	0	0
Total Liabilities	327,801	(10,959)	316,842	237,781	0	237,781
Net Assets:						
Restricted	1,190,767	0	1,190,767	1,191,259	0	1,191,259
Unrestricted	2,521,204	241,351	2,762,555	2,454,415	198,806	2,653,221
Total Net Assets	3,711,971	241,351	3,953,322	3,645,674	198,806	3,844,480

Tidioute Community Charter School
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2012
Required Supplementary Information

TCCS is able to report a positive balance for both its governmental and business-type activities. During the year ended June 30 2012, the General Fund transferred \$77,499 to the Food Service Fund to cover deficits in the Food Service Fund and reimburse payroll expenses incurred by the General Fund.

The results of this year's operations as a whole are reported in the Statement of Activities. The following table takes the information from the Statement and rearranges it slightly, so you can see our total revenues and expenses for the year.

Changes in Net Assets

	Governmental Activities 2012	Business- Type Activities 2012	Total 2012	Governmental Activities 2011	Business- Type Activities 2011	Total 2011
Revenues						
Program Revenues (\$)						
Charges for Services	2,364	39,861	42,225	1,472	44,345	45,817
Operating Grants & Contributions	3,314,411	96,048	3,410,459	3,319,334	83,367	3,402,701
Total Program Revenues	3,316,775	135,909	3,452,684	3,320,806	127,712	3,448,518
General Revenues						
Grants, Subsidies and Contributions not Restricted	0		0	0		0
Investment Earnings	53,113	180	53,293	53,895	144	54,039
Miscellaneous Income	32,386	2,415	34,801	43,559	0	43,559
Transfers In/(Out)	(77,499)	77,499	0	(74,434)	74,434	0
Total General Revenues	8,000	80,094	88,094	23,020	74,578	97,598
Total Revenues	3,324,775	216,003	3,540,778	3,343,826	202,290	3,546,116
Expenses						
Instruction	1,991,111		1,991,111	1,851,113		1,851,113
Instruction Support	398,080		398,080	326,421		326,421
Administration	470,805		470,805	417,730		417,730
Business Services	31,770		31,770	27,303		27,303
Operation of Plant Services	300,844		300,844	275,267		275,267
Student Transportation	0		0	0		0
Student Activities	53,764		53,764	51,677		51,677
Community Services	10,104		10,104	3,822		3,822
Scholarships and Awards	2,000		2,000	0		0
Interest on Debt	0		0	0		0
Food Services		173,458	173,458		162,623	162,623
Total Expenses	3,258,478	173,458	3,431,936	2,953,333	162,623	3,115,956
Change in Net Assets (\$)	66,297	42,545	108,842	390,493	39,667	430,160

Tidioute Community Charter School
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2012
Required Supplementary Information

Business-Type Activities

Business-Type activity includes Food Service. This program had a change in net assets of \$42,545 for the fiscal year. During the year ended June 30, 2012, the General Fund transferred \$77,499 to the Food Service Fund to cover deficits in the Food Service Fund and reimburse payroll expenses incurred by the General Fund. This amount had previously been recorded as an interfund payable to the General Fund. For 2012, program expenses were \$173,458 and program revenues from Charges for Service, Operating Grants and Contributions totaled \$138,504. The 2012 change in net assets excluding the transfer was (\$34,954) while the 2011 change in net assets was (\$34,767). The 2012 change in net assets excluding the transfer showed a (\$187) increase in the loss associated with Food Service. Food Service is considered an essential service for student well-being and enrollment by TCCS.

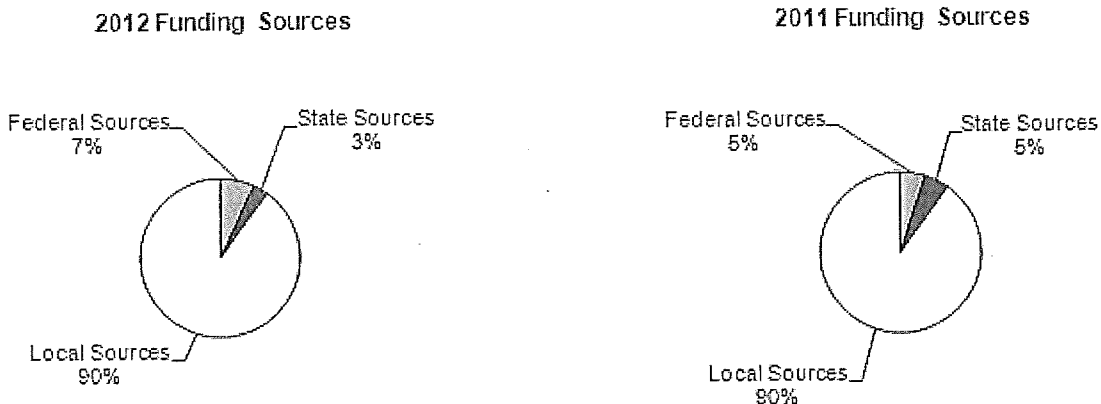
Tidioute Community Charter School's Funds

The fund financial statements provide a more detailed look at the TCCS's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The TCCS, like all other governmental entities in Pennsylvania, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements.

Governmental Funds

TCCS's governmental funds (as presented on the balance sheet) reported a fund balance of \$2,514,034. The General Fund accounts for 100% of the balance total.

TCCS's reliance upon Local Revenues is demonstrated by the graph below that indicates approximately 90% of total general fund revenues come from district payments for per pupil revenue.

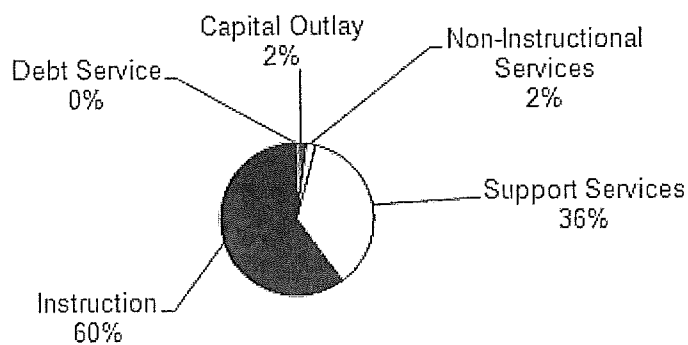


Over 95% of local revenues consist of these district payments. Other local revenues include interest earned on investments, revenue from athletics and other special events, as well as donations. Revenue from State Sources includes charter school funding, and retirement subsidies. Revenue from Federal Sources consists of Title I, Title II and IDEA funding.

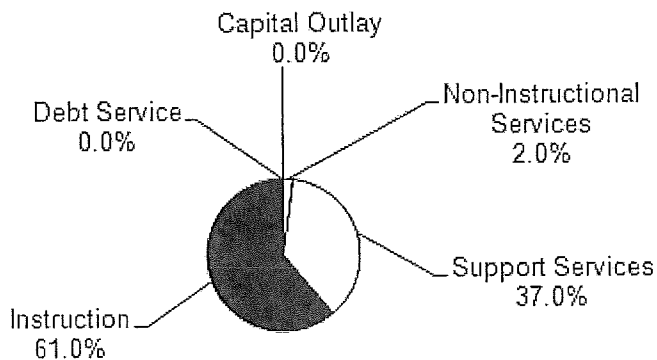
Tidioute Community Charter School
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2012
Required Supplementary Information

As the graph below illustrates, the largest portions of general fund expenditures are student instruction related expenses.

2012 Expenditures



2011 Expenditures



	2012 Amount	2011 Amount
<i>Expenditures by Function</i>		
Instruction	1,942,237	1,826,122
Support Services	1,159,589	1,090,922
Non-Instructional Services	65,868	64,555
Capital Outlay	81,719	0
Debt Service	0	0
Total	<u>3,249,413</u>	<u>2,981,599</u>

Tidioute Community Charter School
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2012
Required Supplementary Information

Revenues exceeded Expenditures during the fiscal year resulting in a positive fund balance. Cash and Cash Equivalents and Investments totaled \$2,238,362 as of June 30, 2012 which is an decrease of (\$54,993) (2.4%) over 2011. The decrease was due to a \$149,027 (58%) increase in Other Receivables. TCCS' Cash and Cash Equivalents and Investments provide an indication of TCCS's solid financial health upon completion of its seventh year of operation.

Fiduciary Funds

TCCS's Fiduciary Fund (Endowment Fund) showed net assets of \$267,322 as of June 30, 2012. This was an increase of \$13,095 (5.2%) from the preceding year. The goal of this Fiduciary Fund is to provide an income stream to TCCS through interest earnings. It is anticipated that the principal will continue to increase through fundraising efforts.

General Fund Budget Information

TCCS's budget is prepared in accordance with Pennsylvania law and is based on the cash basis of accounting, utilizing cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund.

The Statement of Revenue, Expenditures and Changes in Fund Balances, Budget and Actual for the General Fund shows the performance of actual versus budgeted revenues and expenses. The fiscal year ended with a \$132,861 positive variance. Local revenue and Federal revenues were \$183,735 greater than anticipated which offset a reduction in anticipated State Social Security subsidy funding. Further contributing to this variance was a reduction in budgeted expenditures of \$17,587.

Capital Assets

TCCS has \$1,213,801 in capital assets net of depreciation, with 98% of that amount attributed to governmental activities. Capital purchases for the fiscal year ending June 30, 2012 included installation of a new playground, replacement of 30 computer laptops and installation of a storage building.

Debt

TCCS has no outstanding debt. Conservative debt management is a key to TCCS's financial strength.

Factors Expected to have an Effect on Future Operations

Enrollment at TCCS has been stable for the past six years. TCCS's enrollment is capped at 300 through 2015. Implementing K-4 (kindergarten for four year olds) for the 2009-2010 school year was a success. This program has been fully enrolled in each of its first three years. A Pennsylvania Supreme Court decision finding districts were not required to fund students attending a Charter School below the mandatory age of attendance if the district of residence did not offer a similar program adversely impacted TCCS's funding. The resultant loss in revenue exceeded \$150,000. TCCS has elected to continue offering K-4 without district funding based on the belief and experience that the program is a significant educational tool in assisting student achievement by narrowing the readiness gap.

Tidioute Community Charter School
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2012
Required Supplementary Information

An additional adverse impact on revenue was the loss of the Social Security subsidy funding. This resulted in over \$68,000 of lost revenue. Continued level funding in state funding received by school districts will likely reduce the amount a charter school receives per student from the district as districts reduce expenditures. At a time when revenue is decreasing, the employer contribution rate to the state retirement program, PSERS, is scheduled to increase dramatically over the next several years. Careful planning and budgeting will be required in order to absorb these significant increases without adversely impacting the financial health of TCCS.

FINANCIAL STATEMENTS

Tidioute Community Charter School
Statement of Net Assets
June 30, 2012

	Governmental Activities	Business-Type Activities	Total
Assets			
Current Assets			
0100 Cash and cash equivalents	\$ 1,047,275	\$ 207,253	\$ 1,254,528
0110 Investments	1,191,087	-	1,191,087
0120 Taxes receivable (net)	-	-	-
0141 Due from other governments	187,242	105	187,347
0146 Due from primary government	-	-	-
0147 Due from component units	-	-	-
0150 Other receivables	404,361	-	404,361
0170 Inventories	-	-	-
0180 Prepaid expenses	19,040	-	19,040
0190 Other current assets	-	-	-
XXXX Total current assets	<u>2,849,005</u>	<u>207,358</u>	<u>3,056,363</u>
Noncurrent Assets			
0108 Restricted cash and cash equivalents	-	-	-
0260 Long-term prepayments	-	-	-
0210 Land and site improvements	127,400	-	127,400
0220 Building and building improvements (net)	665,030	-	665,030
0230 Machinery and equipment (net)	398,337	23,034	421,371
0250 Construction in progress	-	-	-
0280 Infrastructure assets (net)	-	-	-
0290 Other long-term receivables	-	-	-
XXXX Total noncurrent assets	<u>1,190,767</u>	<u>23,034</u>	<u>1,213,801</u>
XXXX Total assets	<u>\$ 4,039,772</u>	<u>\$ 230,392</u>	<u>\$ 4,270,164</u>
Liabilities			
Current Liabilities			
0403 Internal balances	\$ 10,959	\$ (10,959)	\$ -
0411 Due to other governments	-	-	-
0412 Due to primary government	-	-	-
0413 Due to component units	-	-	-
0420 Accounts payable	118,944	-	118,944
0430 Contracts payable	-	-	-
0440 Current portion of long-term debt	-	-	-
0450 Short-term payables	-	-	-
0461 Accrued salaries and benefits	172,172	-	172,172
0462 Payroll deductions and withholdings	13,432	-	13,432
0470 Advances from other funds	-	-	-
0480 Deferred revenues	424	-	424
0490 Other current liabilities	11,870	-	11,870
XXXX Total current liabilities	<u>327,801</u>	<u>(10,959)</u>	<u>316,842</u>
Noncurrent Liabilities			
0510 Bonds payable	-	-	-
0520 Extended term financing agreements	-	-	-
0530 Lease purchase obligations	-	-	-
0540 Long-term portion of compensated absences	-	-	-
0550 Authority lease obligations	-	-	-
0590 Other long-term liabilities	-	-	-
XXXX Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>-</u>
XXXX Total liabilities	<u>327,801</u>	<u>(10,959)</u>	<u>316,842</u>
Net Assets			
0791 Invested in capital assets net of debt	1,190,767	-	1,190,767
0792 Restricted for Retirement of long-term debt	-	-	-
0793 Capital projects	-	-	-
0794 Permanent endowment - expendable	-	-	-
0795 Permanent endowment - nonexpendable	-	-	-
0798 Other	-	-	-
0799 Unrestricted (deficit)	2,521,204	241,351	2,762,555
0790 Total net assets	<u>3,711,971</u>	<u>241,351</u>	<u>3,953,322</u>
XXXX Total liabilities and net assets	<u>\$ 4,039,772</u>	<u>\$ 230,392</u>	<u>\$ 4,270,164</u>

The accompanying notes are an integral part of these statements.

Tidioute Community Charter School
Statement of Activities
June 30, 2012

Functions/Programs		Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:								
Instruction:								
1100	Regular instruction	\$ 1,723,755	\$ -	\$ 1,747,789	\$ -	\$ 24,034	\$ -	\$ 24,034
1200	Special instruction	264,132	-	391,506	-	127,374	-	127,374
1300	Vocational instruction	-	-	-	-	-	-	-
1400	Other instructional programs	3,224	-	3,140	-	(84)	-	(84)
1700	Higher education programs	-	-	-	-	-	-	-
Total instructional services		1,991,111	-	2,142,435	-	151,324	-	151,324
Support services:								
2100	Pupil personnel	5,120	-	7,417	-	2,297	-	2,297
2200	Instructional staff	281,551	-	282,020	-	469	-	469
2300	Administration	470,805	-	441,316	-	(29,489)	-	(29,489)
2400	Pupil health	65,796	-	66,787	-	991	-	991
2500	Business services	31,770	-	30,939	-	(831)	-	(831)
2600	Operation and maintenance of plant services	300,844	-	297,950	-	(2,894)	-	(2,894)
2700	Student transportation	-	-	-	-	-	-	-
2800	Central	45,613	-	45,547	-	(66)	-	(66)
2900	Other support services	-	-	-	-	-	-	-
Total support services		1,201,499	-	1,171,976	-	(29,523)	-	(29,523)
Non-instructional services:								
3200	Student activities	53,764	2,364	-	-	(51,400)	-	(51,400)
3300	Community services (excl. 3340)	10,104	-	-	-	(10,104)	-	(10,104)
3400	Scholarships and awards	2,000	-	-	-	(2,000)	-	(2,000)
5100-830	Interest on long-term debt	-	-	-	-	-	-	-
0750	Unallocated depreciation expense	-	-	-	-	-	-	-
Total non-instructional services		65,868	2,364	-	-	(63,504)	-	(63,504)
Total governmental activities		3,258,478	2,364	3,314,411	-	58,297	-	58,297
Business-type activities:								
3100	Food service	173,458	39,861	96,048	-	-	(37,549)	(37,549)
Total primary government		\$ 3,431,936	\$ 42,225	\$ 3,410,459	\$ -	58,297	(37,549)	20,748
General revenues								
Taxes:								
6111	Property taxes, levied for general purposes, net	-	-	-	-	-	-	-
	Taxes levied for specific purposes	-	-	-	-	-	-	-
	Grants, subsidies and contributions not restricted	-	-	-	-	-	-	-
9640, 9611	Receipts from member districts	-	-	-	-	-	-	-
6500	Investment earnings	53,113	-	-	-	180	-	53,293
	Miscellaneous income	32,386	-	-	-	2,415	-	34,801
8888	Special items	-	-	-	-	-	-	-
8889	Extraordinary items	-	-	-	-	-	-	-
	Transfers	(77,499)	-	-	-	77,499	-	-
Total general revenues, special items, extraordinary items and transfers		8,000	-	-	-	80,094	-	88,094
Change in net assets		66,297	42,545	108,842	-	108,842	-	108,842
Net assets-beginning		3,645,674	198,806	3,844,480	-	3,844,480	-	3,844,480
Net assets-ending		\$ 3,711,971	\$ 241,351	\$ 3,953,322	-	\$ 3,953,322	-	\$ 3,953,322

The accompanying notes are an integral part of these statements.

Tidioute Community Charter School
Balance Sheet
Governmental Funds
June 30, 2012

	General Fund	Other Funds	Total Gov't Funds
Assets			
0100 Cash and cash equivalents	\$ 1,047,275	\$ -	\$ 1,047,275
0110 Investments	1,191,087	-	1,191,087
0120 Taxes receivable (net)	-	-	-
0130 Due from other funds	-	-	-
0141 Due from other governments	187,242	-	187,242
0146 Due from primary government	-	-	-
0147 Due from component units	-	-	-
0150 Other receivables	404,361	-	404,361
0160 Advances to other funds	-	-	-
0170 Inventories	-	-	-
0180 Prepaid expenses	-	-	-
0190 Other current assets	-	-	-
XXXX Total assets	<u>\$ 2,829,965</u>	<u>\$ -</u>	<u>\$ 2,829,965</u>
Liabilities and Fund Balance			
Liabilities			
0400 Due to other funds	\$ 10,959	\$ -	\$ 10,959
0411 Due to other governments	-	-	-
0412 Due to primary government	-	-	-
0413 Due to component units	-	-	-
0420 Accounts payable	118,944	-	118,944
0430 Contracts payable	-	-	-
0440 Current portion of long-term debt	-	-	-
0450 Short-term payables	-	-	-
0461 Accrued salaries and benefits	172,172	-	172,172
0462 Payroll deductions and withholdings	13,432	-	13,432
0470 Advances from other funds	-	-	-
0480 Deferred revenues	424	-	424
0490 Other current liabilities	-	-	-
XXXX Total liabilities	<u>315,931</u>	<u>-</u>	<u>315,931</u>
Fund Balances			
0810 Nonspendable	-	-	-
0820 Restricted	-	-	-
0830 Committed	95,000	-	95,000
0840 Assigned	-	-	-
0850 Unassigned	2,419,034	-	2,419,034
XXXX Total fund balances	<u>2,514,034</u>	<u>-</u>	<u>2,514,034</u>
XXXX Total liabilities and fund balances	<u>\$ 2,829,965</u>	<u>\$ -</u>	<u>\$ 2,829,965</u>

The accompanying notes are an integral part of these statements.

Tidioute Community Charter School
Reconciliation of the Governmental Funds Balance Sheet
To the Statement of Net Assets
June 30, 2012

Total fund balances - governmental funds	\$	2,514,034
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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 as assets in governmental funds. The cost of assets is \$2,149,748, and the accumulated depreciation is \$958,981		1,190,767
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Long-term liabilities, including compensated absences, are not due and payable in the current period, and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:

Compensated absences	(11,870)
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Other:

Prepaid insurance	19,040
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Total net assets - governmental activities	\$	<u>3,711,971</u>
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The accompanying notes are an integral part of these statements.

Tidioute Community Charter School
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2012

	General Fund	Other Funds	Total Gov. Funds
Revenues			
6000 Local sources	\$ 3,048,764	\$ -	\$ 3,048,764
7000 State sources	97,239	-	97,239
8000 Federal sources	256,271	-	256,271
0010 Total revenues	3,402,274	-	3,402,274
Expenditures			
1000 Instruction	1,942,237	-	1,942,237
2000 Support services	1,159,589	-	1,159,589
3000 NonInstructional services	65,868	-	65,868
4000 Capital outlay	81,719	-	81,719
5110 Debt service (principal and interest)	-	-	-
0020 Total expenditures	3,249,413	-	3,249,413
Excess (deficiency) of revenues over expenditures	152,861	-	152,861
Other Financing Sources (Uses)			
9110 Bond proceeds	-	-	-
9120 Refunding bond proceeds	-	-	-
9200 Proceeds from extended term financing	-	-	-
9300 Interfund transfers	-	-	-
9400 Sale/compensation for fixed assets	-	-	-
9500 Refunds of prior years expenditures	-	-	-
9600 Operating transfers in (other LEAs)	-	-	-
9710 Operating transfers from component units	-	-	-
9720 Operating transfers from primary government	-	-	-
5120 Debt service (payment to refunded bond escrow agent)	-	-	-
5130 Refunds of prior year receipts	-	-	-
5200 Operating transfers out	(77,499)	-	(77,499)
5310 Operating transfers to component unit	-	-	-
5320 Operating transfers to primary government	-	-	-
XXXX Total other financing sources (uses)	(77,499)	-	(77,499)
Special/Extraordinary Items			
8888 Special items	-	-	-
8889 Extraordinary items	-	-	-
Net change in fund balances	75,362	-	75,362
0040 Fund balance - July 1, 2011	2,438,672	-	2,438,672
0050 Prior period adjustment	-	-	-
0700 Fund balance - June 30, 2012	<u>\$ 2,514,034</u>	<u>\$ -</u>	<u>\$ 2,514,034</u>

The accompanying notes are an integral part of these statements.

Tidioute Community Charter School
Reconciliation of the Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balance
To the Statement of Activities
For the Year Ended June 30, 2012

Total net change in fund balances - governmental funds	\$ 75,362
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Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays, including the purchase of textbooks and library books, are reported in governmental funds 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 amount by which depreciation exceeds capital outlays in the period.

Depreciation expense	\$ (152,143)	
Capital outlays	<u>151,650</u>	(493)

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

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Other:

Change in prepaid expenses	(3,873)
Change in compensated absences	<u>(4,699)</u>

Change in net assets of governmental activities	<u>\$ 66,297</u>
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The accompanying notes are an integral part of these statements.

Tidioute Community Charter School
Statement of Revenue, Expenditures and Changes in Fund Balances, Budget and Actual
General Fund
For the Year Ended June 30, 2012

		Budgeted Amounts		Actual
		Original	Final	(Budgetary Basis)
Revenues				
6000	Local revenues	\$ 2,949,100	\$ 2,949,100	\$ 3,048,764
7000	State program revenues	165,700	165,700	97,239
8000	Federal program revenues	172,200	172,200	256,271
Total revenues		3,287,000	3,287,000	3,402,274
Expenditures				
1100	Regular programs	1,475,240	1,475,240	1,689,403
1200	Special programs	486,170	486,170	249,610
1300	Vocational programs	-	-	-
1400	Other instructional programs	4,740	4,740	3,224
1600	Adult education programs	-	-	-
1700	Community/junior college ed programs	-	-	-
2100	Pupil personnel services	65,650	65,650	5,120
2200	Instructional staff services	186,550	186,550	280,975
2300	Administrative services	244,200	244,200	441,777
2400	Pupil health	61,650	61,650	66,387
2500	Business services	149,775	149,775	30,869
2600	Operation and maintenance of plant services	250,975	250,975	288,848
2700	Student transportation services	-	-	-
2800	Central and other support services	21,600	21,600	45,613
2900	Other support services	-	-	-
3100	Food services	174,950	174,950	-
3200	Student activities	130,500	130,500	53,764
3300	Community services	15,000	15,000	10,104
3400	Scholarships and awards	-	-	2,000
4000	Facilities acquisition and construction	-	-	81,719
5110	Debt service	-	-	-
Total expenditures		3,267,000	3,267,000	3,249,413
Excess (deficiency) of revenues over expenditures		20,000	20,000	152,861
Other Financing Sources (Uses)				
9100	Sale of bonds	-	-	-
9200	Proceeds from extended term financing	-	-	-
9300	Interfund transfers	-	-	-
9400	Sale/compensation for fixed assets	-	-	-
5130	Refunds of prior years expenditures	-	-	-
9700	Operating transfers from Component units	-	-	-
5120	Debt service - refunded bond issues	-	-	-
5200	Fund transfers	-	-	(77,499)
5300	Transfers to component units	-	-	-
5900	Budgetary reserve	-	-	-
Total other financing sources (uses)		-	-	(77,499)
8888	Special items	-	-	-
8889	Extraordinary items	-	-	-
Net change in fund balances		20,000	20,000	75,362
0040	Fund balance--July 1, 2011	2,076,446	2,076,446	2,438,672
0050	Change in Inv/RS Equity Trans/Prior Yr Adj	-	-	-
XXXX	Fund balance--June 30, 2012	\$ 2,096,446	\$ 2,096,446	\$ 2,514,034

The accompanying notes are an integral part of these statements.

Variance with Final Budget Positive (Negative)	Budget to GAAP Difference	Actual Amounts GAAP basis
\$ 99,664	\$ 2,963,265	\$ 85,499
(68,461)	-	97,239
84,071	-	256,271
115,274	2,963,265	439,009
(214,163)	(34,352)	1,723,755
236,560	(14,522)	264,132
-	-	-
1,516	-	3,224
-	-	-
-	-	-
60,530	-	5,120
(94,425)	(576)	281,551
(197,577)	(29,028)	470,805
(4,737)	591	65,796
118,906	(901)	31,770
(37,873)	(11,996)	300,844
-	-	-
(24,013)	-	45,613
-	-	-
174,950	-	-
76,736	-	53,764
4,896	-	10,104
(2,000)	-	2,000
(81,719)	81,719	-
-	-	-
17,587	(9,065)	3,258,478
132,861	2,972,330	(2,819,469)
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
(77,499)	(77,499)	-
-	-	-
-	-	-
(77,499)	(77,499)	-
-	-	-
-	-	-
\$ 55,362	\$ 2,894,831	\$ (2,819,469)

Tidioute Community Charter School
Statement of Net Assets
Proprietary Funds
June 30, 2012

	<u>Food Service</u>
Assets	
Current Assets	
0100 Cash and cash equivalents	\$ 207,253
0110 Investments	-
0130 Due from other funds	10,959
0141 Due from other governments	105
0146 Due from primary government	-
0147 Due from component units	-
0150 Other receivables	-
0160 Advances to other funds	-
0170 Inventories	-
0180 Prepaid expenses	-
0190 Other current assets	-
XXXX Total current assets	<u>218,317</u>
Noncurrent Assets	
0108 Restricted cash and equivalents	-
0210 Land and site improvements	-
0220 Building and building improvements(net)	-
0230 Machinery and equipment (net)	23,034
0250 Construction in progress	-
0260 Long-term prepayments	-
XXXX Total noncurrent assets	<u>23,034</u>
XXXX Total assets	<u>\$ 241,351</u>
Liabilities	
Current Liabilities	
0400 Due to other funds	\$ -
0411 Due to other governments	-
0413 Due to component units	-
0420 Accounts payable	-
0430 Contracts payable	-
0440 Current portion of long-term debt	-
0450 Short-term payables	-
0461 Accrued salaries and benefits	-
0462 Payroll deductions and withholdings	-
0470 Advances from other funds	-
0480 Deferred revenues	-
0490 Other current liabilities	-
XXXX Total current liabilities	<u>-</u>
Noncurrent Liabilities	
0510 Bonds payable	-
0520 Extended term financing agreements	-
0530 Lease purchase obligations	-
0540 Long-term portion of compensated abs	-
0550 Authority lease obligations	-
0590 Other long-term liabilities	-
XXXX Total noncurrent liabilities	<u>-</u>
XXXX Total liabilities	<u>-</u>
Net Assets	
0791 Invested in capital assets net of debt	-
0798 Restricted for legal purposes	-
0799 Unrestricted	241,351
0790 Total net assets	<u>241,351</u>
XXXX Total liabilities and net assets	<u>\$ 241,351</u>

The accompanying notes are an integral part of these statements.

Tidioute Community Charter School
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2012

	<u>Food Service</u>
Operating Revenues:	
6600 Food service revenue	\$ 39,860
6900 Charges for services	-
6999 Other operating revenues	<u>2,415</u>
0010 Total operating revenues	<u>42,275</u>
Operating Expenses:	
0100 Salaries	57,567
0200 Employee benefits	22,887
0300 Purchased professional and technical service	1,858
0400 Purchased property service	-
0500 Other purchased service	169
0600 Supplies	85,339
0700 Depreciation	2,904
0810 Dues and fees	-
0820 Claims and judgments	-
0890 Other operating expenditures	<u>2,734</u>
0020 Total operating expenses	<u>173,458</u>
0030 Operating income (loss)	<u>(131,183)</u>
Nonoperating Revenues (Expenses)	
6500 Earnings on investments	180
6920 Contributions and donations	-
6930 Gain/loss on sale of fixed assets	-
7000 State sources	8,972
8000 Federal sources	87,077
9500 Refunds of prior year expenditures	-
0820 Claims and judgments	-
0830 Interest expenses	<u>-</u>
0040 Total nonoperating revenues (expenses)	<u>96,229</u>
Income (loss) before contributions	<u>(34,954)</u>
6920 Capital contributions	-
9998 Transfers from (to) component units	-
9999 Transfers in (out)	<u>77,499</u>
Change in net assets	42,545
XXXX Total net assets - July 1, 2011	198,806
0057 Accounting changes	-
0061 Prior period adjustment	<u>-</u>
XXXX Total net assets - June 30, 2012	<u>\$ 241,351</u>

The accompanying notes are an integral part of these statements.

Tidioute Community Charter School
Combined Statement of Cash Flows
Proprietary Fund Types
June 30, 2012

	<u>Food Service</u>
Cash Flows From Operating Activities	
9937 Cash received from users	\$ 39,860
9938 Cash received from assessments made to other funds	-
9939 Cash received from earnings on investments	-
9940 Cash received from other operating revenue	2,415
9941 Cash payments to employees for services	(80,454)
9942 Cash payments for insurance claims	-
9943 Cash payments to suppliers for goods and services	(85,508)
9944 Cash payments for other operating expenses	(4,592)
	<u>(128,279)</u>
Net cash provided by (used for) operating activities	
Cash Flows From Non-Capital Financing Activities	
6000 Local sources	-
7000 State sources	8,292
8000 Federal sources	76,693
9917 Notes and loans received	-
9918 Interest paid on notes/loans (5100-830)	-
9919 Operating transfers in (out)/ residual equity	77,499
9920 Operating transfers in (out) primary government	-
9921 Operating transfers in (out) component units	-
9922 Refunds of prior year expenditures (9500)	-
	<u>162,484</u>
Net cash provided by (used for) non-capital financing activities	
Cash Flows From Capital and Related Financing Activities	
4000 Facilities acquisition/construction/imp. serv	(683)
6930 Gain/loss on sale of fixed assets (proceeds)	-
9200 Proceeds from extended term financing	-
9925 Principal paid on financing agreements	-
9926 Interest paid on financing agreements (5100-830)	-
9927 Change in contributed capital	-
	<u>(683)</u>
Net cash provided by (used for) capital and rel financing activities	
Cash Flows From Investing Activities	
6500 Earnings on investments	180
9929 Purchase of invest securities/deposits to invest pools	-
9930 Withdrawals from investment pools	-
9931 Proceeds from sale and maturity of Invest securities	-
9932 Loans received (paid)	-
	<u>180</u>
Net cash provided by (used for) investing activities	
Net increase (decrease) in cash and cash equivalents	33,702
9935 Cash and cash equivalents beginning of year	<u>173,551</u>
9936 Cash and cash equivalents at year end	<u>\$ 207,253</u>

The accompanying notes are an integral part of these statements.

Tidioute Community Charter School
Combined Statement of Cash Flows
Proprietary Fund Types - Continued
June 30, 2012

	<u>Food Service</u>
9900 Operating income (loss)	\$ (131,183)
Adjustments to reconcile operating income (loss) to net cash provided by (used for):	
9901 Depreciation and net amortization	2,904
9902 Provision for uncollectible accounts	-
9903 Write-in	-
9904 (Increase) decrease in accounts receivable	-
9905 (Increase) decrease in advances to other funds	-
9906 (Increase) decrease in inventories	-
9907 (Increase) decrease in prepaid expenses	-
9908 (Increase) decrease in other current assets	-
9909 Increase (decrease) in accounts payable	-
9910 Increase (decrease) in accrued salaries and benefits	-
9911 Increase (decrease) in payroll deductions/withholding	-
9912 Increase (decrease) in advances from other funds	-
9913 Increase (decrease) in deferred revenue	-
9914 Increase (decrease) in other current liabilities	-
	<hr/>
Total adjustments	2,904
	<hr/>
Cash provided by (used for) total	<u><u>\$ (128,279)</u></u>

The accompanying notes are an integral part of these statements.

Tidioute Community Charter School
Statement of Net Assets
Fiduciary Funds
June 30, 2012

	Alumni Donation Trust Fund	Agency	Total
Assets			
0100 Cash and cash equivalents	\$ 22,455	\$ 24,900	\$ 47,355
0110 Investments	244,867	-	244,867
0130 Due from other funds	-	-	-
0147 Due from component units	-	-	-
0150 Other receivables	-	-	-
0160 Advances to other funds	-	-	-
0170 Inventories	-	-	-
0180 Prepaid expenses	-	-	-
0190 Other current assets	-	-	-
0220 Building and building improvements(net)	-	-	-
0230 Machinery and equipment (net)	-	-	-
XXXX Total assets	<u>\$ 267,322</u>	<u>\$ 24,900</u>	<u>\$ 292,222</u>
Liabilities			
0420 Accounts payable	\$ -	\$ 24,900	\$ 24,900
0430 Contracts payable	-	-	-
0450 Short-term payables	-	-	-
0400 Due to other funds	-	-	-
0411 Due to other governments	-	-	-
0412 Due to primary government	-	-	-
0413 Due to component units	-	-	-
0461 Accrued salaries and benefits	-	-	-
0462 Payroll deductions and withholdings	-	-	-
0470 Advances from other funds	-	-	-
0480 Deferred revenues	-	-	-
0490 Other current liabilities	-	-	-
XXXX Total liabilities	<u>-</u>	<u>24,900</u>	<u>24,900</u>
Net Assets			
0791 Invested in capital assets net of debt	-	-	-
0798 Restricted for legal purposes	-	-	-
0799 Unrestricted	267,322	-	267,322
XXXX Total net assets	<u>267,322</u>	<u>-</u>	<u>267,322</u>
XXXX Total liabilities and net assets	<u>\$ 267,322</u>	<u>\$ 24,900</u>	<u>\$ 292,222</u>

The accompanying notes are an integral part of these statements.

Tidioute Community Charter School
Statement of Changes in Net Assets
Fiduciary Funds
For the Year Ended June 30, 2012

	<u>Alumni Donation Trust Fund</u>
Additions	
Gifts and contributions	\$ 10,573
Earnings on investments	8,909
Deductions	
Administration and supplies	-
Community services	6,387
Transfers to other funds	<u>-</u>
Change in net assets	13,095
Net assets-July 1, 2011	<u>254,227</u>
Net assets-June 30, 2012	<u><u>\$ 267,322</u></u>

The accompanying notes are an integral part of these statements.

Tidioute Community Charter School

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed in the preparation of these financial statements are summarized below. These policies conform to generally accepted accounting principles (GAAP) as applied to governmental units prescribed in the statements issued by the Government Accounting Standards Board (GASB) and other recognized authoritative sources. In the government-wide financial statements and in enterprise funds, the Charter School also applies Financial Accounting Standards Board Statements and Interpretations issued on or before December 20, 1989, except those that conflict with GASB pronouncements.

1. Financial Reporting Entity

The Tidioute Community Charter School ("Charter School") is a not-for-profit corporation organized on November 5, 2004 under the Nonprofit Corporation Law of 1988 and is operated to provide a community charter school, as defined in, and in accordance with, the Act of March 10, 1949, known as the Public School Code of 1949, as amended by the addition of Article XVII-A, known as the Charter School Law. The Charter School presently educates children enrolled in kindergarten through twelfth grade.

The Charter School has a working agreement with the Warren County School District ("District"). The basic subsidy passes through the District to the Charter School from the Pennsylvania Department of Education ("PDE").

2. Income Tax Status

The Charter School is a not-for-profit organization that is exempt from income taxes under Internal Revenue Code Section 501(c)(3). The Charter School files annual informational returns with the IRS and the Commonwealth of Pennsylvania. FASB ASC 740, *Income Taxes*, prescribes a more-likely-than-not threshold for financial statement recognition and measurement of a tax position taken in a tax return. The Charter School records any related interest expenses and penalties, if any, as a tax expense. For the year ended June 30, 2012, there were no unrecognized tax benefits or interest and penalty expense incurred. Tax years that remain subject to examination are years 2008 and forward.

3. Fund Accounting

The accounts of the Charter School are maintained, and the accompanying financial statements have been prepared on the basis of accounting practices prescribed or permitted by the Manual of Accounting and Related Financial Procedures for Pennsylvania School Systems, issued by the Pennsylvania Department of Education in accordance with the provisions of the School Laws of Pennsylvania.

Tidioute Community Charter School

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

These practices, as they apply to the Tidioute Community Charter School, are in conformity with accounting principles generally accepted in the United States of America. The financial transactions of the Charter School are recorded in individual funds, each of which is considered a separate accounting entity. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to specific Charter School functions or activities. The operation of each fund is accounted for within a separate set of self-balancing accounts.

The Charter School reports the following major governmental fund:

General Fund - The General Fund is the general operating fund of the Charter School. It is used to account for all financial resources except those required to be accounted for in another fund.

The Charter School reports the following major enterprise fund:

Food Service Fund - The Food Service Fund is used to account for all financial transactions related to the food service operation of the Charter School. Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Additionally, the Charter School reports the following fund type:

Fiduciary Fund - The Fiduciary Fund is used to account for assets held by the Charter School in a trustee capacity or as an agent for individuals, private organizations or other governments. These include private-purpose trust and agency funds. The private-purpose trust (See Note H) accounts for resources, including both principal and earnings, which must be expended according to the provision of a trust agreement. The Student Activity Funds are classified as Agency Funds as they are custodial in nature (assets equal liabilities) and thus do not involve measurement of results of operations.

Tidioute Community Charter School

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

4. Basis of Presentation

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Charter School as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between governmental and business-type activities of the Charter School.

The government-wide financial statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each identifiable activity of the business-type, and for each function or program of the governmental activities of the Charter School. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. All revenues not classified as program revenues are presented as general revenues of the Charter School.

Fund Financial Statements

Fund financial statements report detailed information about the Charter School. Their focus is on major funds rather than reporting funds by type. Each major governmental fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for by using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Their reported fund balance (net current assets) is considered a measure of "available spendable resources."

Tidioute Community Charter School

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities (whether current or noncurrent) associated with the operations of these funds are included on the balance sheet. Proprietary fund's operating statements present increases (revenues) and decreases (expenses) in net total assets.

5. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. Government-wide financial statements are prepared using the accrual basis of accounting. The Fund financial statements are prepared using either modified accrual for governmental funds or accrual basis for proprietary and fiduciary funds.

Revenue resulting from exchange transactions is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recognized in the accounting period when they become both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period of the Charter School is sixty days after year end.

Nonexchange transactions, in which the Charter School receives value without directly giving equal value in return, include grants, entitlements and donations. On an accrual basis, revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been met. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: investment earnings, tuition, grants and student fees.

Tidioute Community Charter School

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

On the accrual basis of accounting, expenses are recorded at the time they are incurred. The measurement focus of governmental fund accounting is on flow of current financial resources. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred except for the costs related to compensated absences which are reported as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

6. Budgets and Budgetary Accounting

The Charter School follows these procedures in establishing the budgetary data reflected in the statement of revenue, expenditures and changes in fund balance, budget and actual, general fund:

- a. Prior to June 30, the Business Manager submits to the Board of Trustees a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- b. The Board of Trustees is authorized to transfer budgeted amounts between departments within any fund; any revisions that alter the total expenditures of any fund must be approved by the Board.
- c. Formal budgetary integration is employed as a management control device during the year for the General Fund. Formal budgetary integration is not employed by other funds because effective budgetary control is alternatively achieved through direct authorization by the Board of Trustees or expenditures are all fixed in nature.
- d. Unencumbered appropriations lapse at year end.

7. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed as an extension of formal budgetary integration.

8. Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, the Charter School considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Tidioute Community Charter School

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

9. Investments

Investments are reported at fair value based on quoted market prices.

10. Capital Assets and Depreciation

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets are reported in the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The Charter School defines capital assets as assets with an initial, individual cost of \$1,000 or more or assets whose aggregate value exceeds \$5,000. Donated fixed assets are recorded at their fair market value as of the date received. The Charter School does not possess any infrastructure.

All reported capital assets, with the exception of land, are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Useful Life</u>
Buildings & Improvements	10-40 years
Furniture & Equipment	3-15 years

11. Interfund Transactions

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Sales of goods and services between funds are reported as revenues in the seller funds and as expenses/expenditures in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds.

On fund financial statements, advances between funds are accounted for in the appropriate interfund receivable and payable accounts. These advances are considered available and spendable resources and current obligations of the respective funds. These amounts are eliminated in the statement of net assets, except for amounts due between governmental and business-type activities, which are presented as internal balances.

Tidioute Community Charter School

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

12. Compensated Absences

Employees of the Charter School receive three, six or 10 personal days each year depending on their classification. All employees are paid for any unused personal days at the end of each year.

Non-teaching staff employees of the Charter School are given ten vacation days per year. Employees will be awarded a lump sum at the end of each year for any unused days in amounts varying with their classification.

The entire compensated absences liability is reported on the government-wide financial statements as other current liabilities. For governmental fund financial statements, the liability is not recorded as those amounts are not expected to be paid using expendable available financial resources.

13. Accrued Liabilities

All accrued liabilities are reported in the government-wide financial statements as well as the proprietary fund financial statements.

For governmental fund financial statements, the accrued liabilities are generally reported as a governmental fund liability if due for payment as of the balance sheet date regardless of whether they will be liquidated with current financial resources. However, claims and judgements and compensated absences paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable available financial resources.

14. Donated Materials and Services

Some of the Charter School's support is provided by contributions/in-kind. Such donated materials are recorded as revenue at their fair market value and recorded as an expense or capital addition as appropriate.

15. Concentration of Credit Risk

The Charter School maintains various deposits presented on the balance sheet as cash and investments with several local banks. The amounts on deposit with certain banks exceed the \$250,000 federally insured limit on interest bearing accounts. There is no dollar limit on non interest bearing accounts for public deposits. See Note B for further detail.

Tidioute Community Charter School

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

16. Estimates in Financial Statements

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

17. Pension Plan Description

The Tidioute Community Charter School contributes to the Public School Employees' Retirement System (the System), a Governmental cost-sharing multiple-employer defined benefit pension plan. The System provides retirement and disability, legislative mandated ad hoc cost-of-living adjustments, and healthcare insurance premium assistance to qualifying annuitants. The Public School Employees' Retirement Code (Act No. 96 of October 2, 1975, as amended) (24 PA. C. S. 8101-8535) holds the authority to establish and amend benefit provisions.

The system issues a comprehensive annual financial report that includes financial statements and required supplementary information for the plan. A copy of the report may be obtained by writing to Diane J. Wert, Office of Financial Management, Public School Employees' Retirement System, PO Box 125, Harrisburg, PA 17108-0125.

Funding Policy

The contribution policy is established in the Public School Employees' Retirement Code and requires contributions by active members, employers, and the Commonwealth. Members joining the system prior to July 22, 1983 contribute at 5.25 or 6.50 percent of the member's qualifying compensation. Members joining the system on or after July 22, 1983 contribute at 6.25 or 7.50 percent. Members joining the system after June 30, 2001 contribute at 7.50 percent. Members joining after June 30, 2011 contribute at 7.5 percent. All new hires after June 30, 2011 contribute at 10.3 percent. All new hires and members joining after June 30, 2011 are subject to a shared risk provision in Act 120 of 2010 that could cause their rates to fluctuate in future years. Contributions required of employers are based upon an actuarial valuation. For fiscal year ended June 30, 2012 the rate of employer contribution was 8.65 percent of covered payroll. The 8.65 percent rate is composed of a pension contribution rate of 8.00 percent for pension benefits and .65 percent for health insurance premium assistance.

Tidioute Community Charter School

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The Charter School's contributions to the system for the years ending June 30, 2012, 2011 and 2010 were \$143,671, \$94,668 and \$81,511, respectively, equal to the required contributions for each year.

18. Fair Value Measurement

Fair value, as defined in FASB ASC, 820 *Fair Value Measurements and Disclosures*, is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, FASB ASC 820 establishes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels. Level 1 consists of quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs. Level 2 consists of observable prices that are based on inputs not quoted on active markets, but corroborated by market data. Level 3 consists of unobservable inputs which are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs. In determining fair value, the Charter School utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible as well as considers counterparty credit risk in its assessment of fair value.

The fair market value of a financial instrument is defined in FASB ASC 825 as "the amount at which the instrument could be exchanged in a current transaction between willing parties." The carrying amount reported in the accompanying financial statement of financial position for due from other governments, other receivables, prepaids, accounts payable, deferred revenue, accruals, and other current liabilities, approximate fair value given the short-term nature of the financial instruments or conversely are based on a non-recurring assessment of fair value.

	<u>Level 1</u>	<u>Level 3</u>
Investments - Certificates of deposit (Note B)	\$ 13,349	\$ -
Investments - Single premium deferred fixed annuities (Note B)	<u>-</u>	<u>1,422,605</u>
	<u>\$ 13,349</u>	<u>\$1,422,605</u>

Tidioute Community Charter School

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The table below presents additional information about the Investments - Single premium deferred fixed annuities, which are measured using Level 3 inputs.

Balance at July 1, 2011	\$ 423,923
Purchase of investments	977,054
Earnings	<u>21,628</u>
Balance at June 30, 2012	<u>\$1,422,605</u>

Fair value for Investments - Certificates of deposit are determined by reference to quoted market prices and other relevant information generated by market transactions. Fair value for Investments - Single premium deferred annuities is based on information provided by New York Life Insurance and Annuity Corporation.

19. Date of Management's Review

Management has evaluated subsequent events through December 20, 2012, the date the financial statements were available to be issued.

NOTE B - NON-POOLED CASH AND INVESTMENTS

The Charter School's cash and investments consist of deposits with financial institutions and investments through brokers. The Charter School's investment policies are governed by state statute and Charter School policy. Permissible investments include United States treasury bills and other federal instruments, time accounts or share accounts of institutions insured by the Federal Deposit Insurance Corporation, certificates of deposit to the extent such certificates are secured by a proper bond or secured by such proper collateral. The Charter School may also invest in other Board approved investment vehicles provided that the investment is issued by an entity having a designation of AAA or an equivalent rating by Moody's and all other nationally recognized rating agencies; is guaranteed by the issuing entity; the issuing entity has a ratio of assets to surplus in a minimal amount of 8%; and the issuing entity has a surplus of assets over liabilities of eight billion dollars or greater.

1. Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Charter School's deposits may not be returned. As of June 30, 2012, the bank balance of the Charter School's deposits that are exposed to custodial credit risk is \$831,849 and their carrying amount is \$801,884. These amounts are uninsured but are collateralized with securities held by the trust department or agent but not in the Charter School's name.

Tidioute Community Charter School

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE B - NON-POOLED CASH AND INVESTMENTS - Continued

2. Investments

As of June 30, 2012, the Charter School had the following investments:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
Certificates of deposit		
General Fund	11 months	\$ 13,349
Single premium deferred fixed annuities		
General Fund		
Policy A	See Terms Below	319,770
Policy B	See Terms Below	355,787
Policy C	See Terms Below	502,181
Alumni Donation Trust Fund		
Policy D	See Terms Below	117,259
Policy E	See Terms Below	<u>127,608</u>
		<u>\$ 1,435,954</u>

The single premium deferred fixed annuities are life insurance policies through New York Life Insurance Annuity Corporation (NY Life) with the annuitant being the Charter School's former business manager and current consultant, and the Charter School being both the policy owner and the beneficiary.

Policies A and D are dated May 27, 2010 and the commencement dates are May 27, 2050. Interest will be credited to these policies daily at a rate set in advance by NY Life, guaranteed to be at least 3.10% through May 27, 2013, 2.00% through May 27, 2018, and 1.20% thereafter.

Policy B is dated July 19, 2011 and the commencement date is July 19, 2048. Interest will be credited to this policy daily at a rate set in advance by NY Life, guaranteed to be at least 1.75% through July 19, 2017, and 1.00% thereafter.

Policies C and E are dated April 23, 2012 and the commencement dates are April 23, 2048. Interest will be credited to these policies daily at a rate set in advance by NY Life, guaranteed to be at least 2.40% through April 23, 2015, and 0.50% thereafter.

Beginning on the annuity commencement date, income payments will be made to the policy owner each month during the lifetime of the annuitant.

Tidioute Community Charter School

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE B - NON-POOLED CASH AND INVESTMENTS - Continued

The amount of these payments will be determined by NY Life based on the accumulated value (initial investment plus accumulated interest) of the policies, the age and sex of the annuitant, and the income payment rate in effect on the annuity commencement date. Income payments are guaranteed for a period of 10 years (120 monthly payments) even if the annuitant dies sooner, and the payment amount does not change during this guaranteed period. If the annuitant dies before the annuity commencement date, the beneficiary will receive a single lump sum payment equal to the accumulated value of the policies as of the date of the annuitant's death.

However, if the annuitant dies after the annuity commencement date but before the end of the guaranteed period of the monthly income payments, the beneficiary will receive the monthly income payments for the remainder of the payment period.

Upon written request, the Charter School can make partial withdrawals from the policies or surrender the policies for their accumulated value at any time. During the first seven years of the policies, a surrender charge may be applied, ranging from 3% to 7%, for a partial withdrawal or when the policies are surrendered for their accumulated value. The amount of the surrender charge, if any, will never exceed the interest credited to the policies. Upon surrender of the policies the amount paid is guaranteed to at least equal the initial investment, reduced by any previous partial withdrawals.

Interest Rate Risk - The Charter School does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, the Charter School complies with PDE requirements regarding investments.

Credit Risk - The Charter School's investment policy limits its choices to certain credit ratings. The Charter School also complies with PDE requirements regarding investments. The Charter School's investments in First Niagara Bank were rated BBB+ by Standard & Poor's, Baa1 by Moody's Investor Services and BBB- by Fitch Ratings. The Charter School's investments in New York Life Insurance Annuity Corporation were rated AA+ by Standard & Poor's, Aaa by Moody's Investor Services and AAA by Fitch Ratings.

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of a bank failure of the counterparty, the Charter School will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Tidioute Community Charter School

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE B - NON-POOLED CASH AND INVESTMENTS - Continued

As of June 30, 2012, \$1,422,605 of the Charter School's investments are held by the broker or dealer, or by its trust department in the Charter School's name, and \$13,349 of the Charter School's investments are collateralized with securities held by the trust department or agent but not in the Charter School's name.

Concentration of Credit Risk - The Charter School places no limit on the amount that may be invested in any one issuer. All of the Charter School's investments are in First Niagara Bank and New York Life Insurance and Annuity Corporation.

NOTE C - CAPITAL ASSETS

A summary of capital assets activity during the fiscal year follows:

	Balance at June 30, 2011	Additions	Deletions	Balance at June 30, 2012
Governmental Activities				
Land & Site				
Improvements	\$ 71,027	\$ 76,534	\$ -	\$ 147,561
Building &				
Improvements	777,911	16,674	-	794,585
Machinery &				
Equipment	1,123,648	83,954	-	1,207,602
Construction-in-Progress	<u>25,511</u>	<u>-</u>	<u>25,511</u>	<u>-</u>
Total Capital Assets	<u>1,998,097</u>	<u>177,162</u>	<u>25,511</u>	<u>2,149,748</u>
Less: Accumulated Depreciation:				
Land & Site				
Improvements	14,802	5,359	-	20,161
Building &				
Improvements	106,957	22,598	-	129,555
Machinery &				
Equipment	<u>685,079</u>	<u>124,186</u>	<u>-</u>	<u>809,265</u>
Total Accumulated Depreciation	<u>806,838</u>	<u>152,143</u>	<u>-</u>	<u>958,981</u>
Capital Assets, Net	<u>\$ 1,191,259</u>	<u>\$ 25,019</u>	<u>\$ 25,511</u>	<u>\$ 1,190,767</u>

Tidioute Community Charter School

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE C - CAPITAL ASSETS - Continued

Business-Type Activities

Equipment	\$	34,498	\$	683	\$	-	\$	35,181
Less: Accumulated Depreciation		<u>9,243</u>		<u>2,904</u>		<u>-</u>		<u>12,147</u>
Capital Assets, Net	\$	<u>25,255</u>	(\$	<u>2,221</u>)	\$	<u>-</u>	\$	<u>23,034</u>

Depreciation expense was charged to the following functions in the statement of activities:

Regular instruction	\$ 106,666
Special instruction	16,344
Administration	<u>29,133</u>
	<u>\$ 152,143</u>

NOTE D - OTHER CURRENT LIABILITIES

Other current liabilities on the statement of net assets consists of \$11,870 representing the current portion of the Charter School's compensated absences liability.

NOTE E - NONCURRENT LIABILITIES

The changes in noncurrent liabilities for the year ended June 30, 2012 consist of the following:

	Balance at June 30, 2011	Increases	Decreases	Balance at June 30, 2012	Due In One Year
Compensated Absences	\$ <u>7,171</u>	\$ <u>4,699</u>	\$ <u>-</u>	\$ <u>11,870</u>	\$ <u>11,870</u>
	7,171	4,699	-	11,870	<u>11,870</u>
Less: Current Portion	<u>7,171</u>	<u>-</u>	<u>4,699</u>	<u>11,870</u>	
Total Noncurrent Liabilities	\$ <u>-</u>	\$ <u>4,699</u>	\$ <u>4,699</u>	\$ <u>-</u>	

Tidioute Community Charter School

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE F - CONTINGENT LIABILITIES

The Charter School participates in both state and federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The Charter School is potentially liable for any expenditure which may be disallowed pursuant to the terms of these grant programs.

The amount, if any, of expenditures which may be disallowed by the grantors cannot be determined at this time, although the Charter School believes such amounts to be immaterial.

NOTE G - COMMITTED FUND BALANCE

The Board of Trustees is the Charter School's highest level decision making authority. The Board must approve the commitment or modification of fund balance. The Board has committed \$95,000 of its unrestricted general fund balance at June 30, 2012. The purpose of the commitment is to provide for resources available in the general fund budget for the year ended June 30, 2012. The Charter School has adopted policies in which it considers restricted or committed fund balances to be spent when expenditures have been specifically identified to release the restriction or commitment.

NOTE H - PRIVATE-PURPOSE TRUST FUND

An Alumni Donation Fund was set up by graduates of the former Tidioute Area School to help provide resources to the Charter School for various projects, equipment, and teaching supplies to benefit the students of the Charter School.

Root, Spitznas & Smiley, Inc.

Certified Public Accountants

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Suite One
Erie, Pennsylvania 16501-1450

814-453-7731
FAX: 814-455-6799

Michael N. Barko, CPA
J. Randolph Gehrlein, CPA
James T. Scavona, CPA

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

Members of the Board of Trustees
Tidioute Community Charter School

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Tidioute Community Charter School as of and for the year ended June 30, 2012, which collectively comprise the Charter School's basic financial statements and have issued our report thereon dated December 20, 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 Tidioute Community Charter School is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Tidioute Community Charter 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 Tidioute Community Charter School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Tidioute Community Charter 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 a 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 that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Tidioute Community Charter 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 that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Tidioute Community Charter School in a separate letter dated December 20, 2012.

This report is intended solely for the information and use of the Board of Trustees, management, 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.

Root, Spitznagel and Smiley, Inc.

December 20, 2012

Tidioute Community Charter School
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2012

Summary of Auditor's Results:

Financial Statements

1. Type of auditor's report issued: unqualified
2. Internal control over financial reporting:

Material weakness(es) identified? ☐ yes ☒ no

Internal control deficiency(s)
identified that are not considered
to be material weaknesses? ☐ yes ☒ none
3. Noncompliance material to financial
statements noted? ☐ yes ☒ no

Audit Findings:

The audit resulted in no current findings. In addition, there were no findings noted in the prior year's audit.

Tidioute Community Charter School

EXIT CONFERENCE

June 30, 2012

An exit conference was held by telephone on November 26, 2012.
Participating were:

Dr. Doug Allen, Chief Executive Officer
Tidioute Community Charter School

Gregory R. Michel, CPA, Senior
Root, Spitznas and Smiley, Inc.

A draft of the audit report for the Tidioute Community Charter School, for the year ended June 30, 2012 was reviewed. Special attention was devoted to reviewing the various reports on internal controls and reports on compliance.

List of Report Distribution

Copies

1 Department of Education
Bureau of Budget and Fiscal Management
333 Market Street
Harrisburg, Pennsylvania 17126
Attention: Ms. Betty Wilson

1 Mr. Jim Grosch
Business Manager
Warren County School District
185 Hospital Drive
Warren, Pennsylvania 16365-4885

