

**BENTON COUNTY CHARTER SCHOOL
ORGANIZATION, INC. AND SUBSIDIARY**

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

**BENTON COUNTY CHARTER SCHOOL ORGANIZATION, INC.
AND SUBSIDIARY
JUNE 30, 2012 AND 2011**

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INDEPENDENT AUDITORS' REPORT

To the Board
Benton County Charter School Organization, Inc. and subsidiary
Rogers, Arkansas

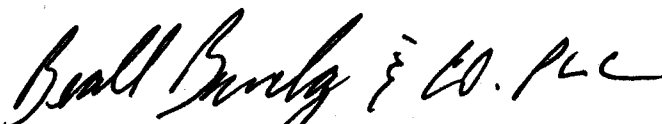
We have audited the accompanying consolidated statements of assets, liabilities and net assets - modified cash basis of **Benton County Charter School Organization, Inc. and subsidiary** (a nonprofit corporation) as of June 30, 2012 and 2011, and the related consolidated statements of revenues and expenses - modified cash basis and consolidated statements of functional expenses - modified cash basis for the years then ended. These consolidated financial statements are the responsibility of **Benton County Charter School Organization, Inc. and subsidiary's** management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 1, these consolidated financial statements were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated assets, liabilities and net assets of **Benton County Charter School Organization, Inc. and subsidiary** as of June 30, 2012 and 2011, and its consolidated revenues, expenses and functional expenses for the years then ended, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2012 on our consideration of **Benton County Charter School Organization, Inc. and subsidiary'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 the 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.



BEALL BARCLAY & COMPANY, PLC
Certified Public Accountants

Rogers, Arkansas
November 28, 2012

**BENTON COUNTY CHARTER SCHOOL ORGANIZATION, INC.
AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF ASSETS, LIABILITIES AND
NET ASSETS - MODIFIED CASH BASIS
JUNE 30, 2012 AND 2011**

	2012	2011
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 840,776	\$ 525,111
State funding receivable	28,561	109,001
	<u>869,337</u>	<u>634,112</u>
Total Current Assets		
RESTRICTED CASH		
Restricted cash and cash equivalents	<u>589,615</u>	<u>586,358</u>
PROPERTY AND EQUIPMENT		
Land	360,237	360,237
Buildings and improvements	6,825,264	6,781,544
Playground and P.E. equipment	41,827	41,827
Library books and textbooks	338,911	348,155
Furniture and fixtures	265,769	248,418
Computer equipment	738,469	714,159
Kitchen equipment	70,802	70,802
Musical instruments	<u>27,112</u>	<u>27,112</u>
	8,668,391	8,592,254
Less accumulated depreciation	<u>1,357,141</u>	<u>1,002,153</u>
	<u>7,311,250</u>	<u>7,590,101</u>
OTHER ASSET		
Bond issuance costs, net of amortization of \$15,756 and \$7,878, respectively	<u>220,588</u>	<u>228,466</u>
TOTAL ASSETS	<u><u>\$ 8,990,790</u></u>	<u><u>\$ 9,039,037</u></u>

See Independent Auditors' Report and Notes to Consolidated Financial Statements.

	2012	2011
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
State funding payable	\$ 51,009	\$ -
Current portion of bonds payable	<u>85,000</u>	<u>75,000</u>
Total Current Liabilities	136,009	75,000
LONG-TERM LIABILITIES		
Bonds payable, net of unamortized discount of \$268,287 and \$277,869, respectively	7,081,713	7,157,131
NET ASSETS		
Unrestricted	<u>1,773,068</u>	<u>1,806,906</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 8,990,790</u></u>	<u><u>\$ 9,039,037</u></u>

See Independent Auditors' Report and Notes to Consolidated Financial Statements.

**BENTON COUNTY CHARTER SCHOOL ORGANIZATION, INC.
AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF REVENUES AND EXPENSES -
MODIFIED CASH BASIS
YEARS ENDED JUNE 30, 2012 AND 2011**

YEAR ENDED JUNE 30, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES			
Federal funds	\$ 330,937	\$ -	\$ 330,937
State funds	4,868,099	-	4,868,099
Miscellaneous	235,949	-	235,949
	<u>5,434,985</u>	<u>-</u>	<u>5,434,985</u>
EXPENSES			
Program services			
Charter school	5,045,102	-	5,045,102
Support services			
Management and general	423,721	-	423,721
	<u>5,468,823</u>	<u>-</u>	<u>5,468,823</u>
CHANGE IN NET ASSETS	(33,838)	-	(33,838)
NET ASSETS, BEGINNING OF YEAR	<u>1,806,906</u>	<u>-</u>	<u>1,806,906</u>
NET ASSETS, END OF YEAR	<u><u>\$ 1,773,068</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,773,068</u></u>

See Independent Auditors' Report and Notes to Consolidated Financial Statements.

YEAR ENDED JUNE 30, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES			
Federal funds	\$ 427,195	\$ -	\$ 427,195
State funds	4,515,498	-	4,515,498
Miscellaneous	190,291	-	190,291
	<u>5,132,984</u>	<u>-</u>	<u>5,132,984</u>
EXPENSES			
Program services			
Charter school	4,728,905	-	4,728,905
Support services			
Management and general	377,283	-	377,283
	<u>5,106,188</u>	<u>-</u>	<u>5,106,188</u>
CHANGE IN NET ASSETS	26,796	-	26,796
NET ASSETS, BEGINNING OF YEAR	<u>1,780,110</u>	<u>-</u>	<u>1,780,110</u>
NET ASSETS, END OF YEAR	<u>\$ 1,806,906</u>	<u>\$ -</u>	<u>\$ 1,806,906</u>

See Independent Auditors' Report and Notes to Consolidated Financial Statements.

**BENTON COUNTY CHARTER SCHOOL ORGANIZATION, INC.
AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES -
MODIFIED CASH BASIS
YEARS ENDED JUNE 30, 2012 AND 2011**

	2012	2011
Program Services		
Contract professional services	\$ 318,052	\$ 250,698
Depreciation and amortization	426,117	418,749
Dues and subscriptions	10,875	4,879
Food	159,960	147,012
General supplies	141,676	127,964
Health benefits	67,611	60,874
Insurance	48,681	40,972
Interest expense	438,453	431,828
Parent coordination	120,575	69,773
Payroll taxes	175,642	181,296
Rent	14,104	10,786
Repairs	12,553	13,131
Retirement contributions	351,075	341,231
Salaries	2,492,197	2,417,831
Substitute expense	52,971	33,319
Telephone	6,908	7,456
Training	102,465	76,696
Travel	18,719	12,230
Utilities	86,468	82,180
	<u>5,045,102</u>	<u>4,728,905</u>
Management and General		
Administrative supplies	3,441	3,498
Advertising	4,690	5,160
Bad debts	-	4,198
Depreciation	4,304	4,230
General supplies	47,225	42,655
Health benefits	7,512	6,021
Insurance	492	414
Interest expense	4,429	4,362
Payroll taxes	19,516	17,930
Repairs	127	133
Retirement contributions	39,008	33,748
Salaries	261,851	225,054
Telephone	2,303	2,486
Utilities	28,823	27,394
	<u>423,721</u>	<u>377,283</u>
	<u>\$ 5,468,823</u>	<u>\$ 5,106,188</u>

See Independent Auditors' Report and Notes to Consolidated Financial Statements.

**BENTON COUNTY CHARTER SCHOOL ORGANIZATION, INC.
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Benton County Charter School Organization, Inc. is a nonprofit organization which was granted a charter by the Arkansas State Board of Education to operate the Benton County School of the Arts located in Rogers, Arkansas. The school's charter was renewed effective June 30, 2012 for a three-year term and is scheduled for renewal June 30, 2015. The school provides kindergarten through 12th grade academic programs with integration of the arts.

BCCSO, LLC (subsidiary) was formed May 28, 2010 for the purpose of holding real estate and the related debt. Benton County Charter School Organization, Inc. is the sole member of BCCSO, LLC.

Principles of Consolidation

The consolidated financial statements include the accounts of Benton County Charter School Organization, Inc. and its wholly owned subsidiary, BCCSO, LLC, collectively referred to as "the Organization". All significant inter-organizational accounts and transactions have been eliminated.

Basis of Accounting

The consolidated financial statements have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Accordingly, revenue and the related assets are recorded when received rather than when earned and certain expenses are recognized when paid rather than when the obligations are incurred. Modifications to the cash basis of accounting include recording debt, capitalizing property and equipment, and recording depreciation. In addition, at the request of the Arkansas Department of Education, the school recorded funds receivable and payable for school year funding and grant reimbursements.

Basis of Presentation

Consolidated financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Codification Topic *Not-for-Profit Entities*. Under this Topic, the Organization is required to report information regarding its consolidated financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As of June 30, 2012 and 2011, the Organization had no temporarily or permanently restricted net assets.

**BENTON COUNTY CHARTER SCHOOL ORGANIZATION, INC.
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Functional Allocation of Expenses

The Organization allocates its expenses on a functional basis among its program and support services. Expenses that can be identified with specific program and support service are allocated directly according to their natural expenditure classification.

Property and Equipment

Property and equipment is stated at cost or estimated fair value at date of donation. The Organization capitalizes all expenditures for property and equipment in excess of \$1,000. Depreciation of property and equipment is computed using the straight-line method over the estimated useful lives of the assets, which range from three to thirty-seven years. Fully depreciated assets still in service totaled \$457,876 and \$175,941, respectively, for the years ended June 30, 2012 and 2011.

Long-Lived Assets

FASB Codification Topic *Property, Plant and Equipment*, Section *Subsequent Measurement* requires that long-lived assets and certain identifiable intangibles held and used by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Funding Sources

The major funding source for the Organization is the State of Arkansas.

Gifts of cash and other assets are recorded as unrestricted, temporarily restricted, or permanently restricted net assets, depending on the absence or existence and nature of any donor restrictions. Contributions are presented as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets. Contributions that are restricted by the donor are reported as increases in the unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized.

Advertising

The Organization follows the policy of charging advertising to expense as paid.

Cash and Cash Equivalents

The Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. At June 30, 2012 and 2011, the Organization had cash equivalents of \$589,504 and \$586,358, respectively.

**BENTON COUNTY CHARTER SCHOOL ORGANIZATION, INC.
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Use of Estimates

Management uses estimates and assumptions in preparing the consolidated financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Income Taxes and Uncertain Tax Positions

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar state statute. Consequently, no provision for income taxes is reflected in the accompanying consolidated financial statements. Additionally, the Organization has been classified as an organization that is not a private foundation under Section 509(a).

The Organization accounts for uncertain tax positions in accordance with the provisions of FASB Codification Topic *Income Taxes*. FASB Codification Topic *Income Taxes* clarifies the accounting for uncertainty in income taxes and requires the Organization to recognize in their consolidated financial statements the impact of a tax position taken or expected to be taken in a tax return, if that position is more likely than not to be sustained under audit, based on the technical merits of the position. Management has assessed the tax positions of the Organization and determined that no positions exist that require adjustment or disclosure under the provisions of FASB Codification Topic *Income Taxes*.

The Organization files informational “*Return of Organization Exempt from Income Tax*” (Form 990) in the U.S. Federal jurisdiction and Arkansas. With few exceptions, the Organization is no longer subject to U.S. Federal, state or local informational return examinations by tax authorities for the years before 2008.

Subsequent Events

Subsequent events are evaluated through the date the financial statements were available to be issued which is the date of the Independent Auditors’ Report.

Amortization of Bond Discount

The bond discount is amortized over the life of the related bond issue. Net amortization expense of \$9,582 is included as a component of interest expense for each of the years ended June 30, 2012 and 2011.

Reclassification

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

**BENTON COUNTY CHARTER SCHOOL ORGANIZATION, INC.
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011**

NOTE 2: CONCENTRATIONS

During the years ended June 30, 2012 and 2011, the State of Arkansas provided 90% and 88%, respectively, of the Organization's revenue. The loss of this revenue would have an adverse effect on the Organization's ability to continue to exist.

NOTE 3: EMPLOYEE BENEFIT PLANS

The Organization contributes to the Arkansas Teachers Retirement System ("System"), a cost-sharing multiple-employer defined benefit plan administered by the System. The System provides retirement, death and disability benefits and annual cost of living adjustments to plan members. The System issues a publicly available financial report that includes financial statements and required supplementary information. For the years ended June 30, 2012 and 2011, the Organization contributed 14% of all covered employees' salaries. The contribution by the Organization for the years ended June 30, 2012 and 2011 was \$390,083 and \$374,979, respectively.

During the year ended June 30, 2009, the Organization adopted a 403(b) plan covering all employees of the Organization. The plan is funded solely by employee contributions to the plan, pursuant to a salary reduction agreement. Annual contributions may not exceed the amount permitted under section 415 of the Internal Revenue Code. Employees vest immediately in their contributions.

NOTE 4: ON-BEHALF PAYMENTS

The Arkansas Department of Education pays health insurance premiums to the Employee Benefits Division on behalf of employees of the Organization. Payments made on behalf of the Organization's employees were \$42,338 and \$50,947 for the years ended June 30, 2012 and 2011, respectively.

NOTE 5: CONTINGENCIES

The Organization was the recipient of Federal and state funding. Federal and state funding programs are subject to audit by the Federal or state government or their representatives. Accordingly, the amount, if any, of expenditures which may be disallowed by the program representatives cannot be determined at this time, although the Organization expects such amounts, if any, to be immaterial.

NOTE 6: RESTRICTED CASH

At June 30, 2012 and 2011, restricted cash consisted of \$589,615 and \$586,358, respectively, held in a trust as required by the bond agreements to be used for debt service.

**BENTON COUNTY CHARTER SCHOOL ORGANIZATION, INC.
AND SUBSIDIARY**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

NOTE 7: BONDS PAYABLE AND BOND DISCOUNT

BCCSO, LLC, through a loan agreement with the Public Facilities Board of Benton County, Arkansas, issued \$7,350,000 Series 2010A BCCSO Project Bonds and \$230,000 2010B BCCSO Project Bonds, net of an original issue discount of \$287,451. The bond discount is amortized as a component of interest expense over the life of the bonds, which is thirty years, beginning July 2010.

As part of the bond issue, BCCSO, LLC entered into a lease agreement with the Benton County Charter School Organization, whereby the Benton County Charter School Organization will lease the facilities back from BCCSO, LLC at a monthly lease rate equal to the debt service requirement of the bonds. Lease expense and the related lease income have been eliminated in consolidation.

Series 2010A BCCSO Project Bonds

In June 2010, the Public Facilities Board of Benton County issued \$7,350,000 in Charter School Lease Revenue Bonds secured by a loan agreement with BCCSO, LLC as borrower. These bonds are tax exempt. They mature and bear interest as follows:

<u>Term bonds</u>	<u>Maturity Date</u>	<u>Interest rate</u>
\$ 1,285,000	6/1/2022	5.00%
1,780,000	6/1/2030	5.75%
<u>4,285,000</u>	6/1/2040	6.00%
<u>\$ 7,350,000</u>		

The loan agreement requires BCCSO, LLC to collect from Benton County Charter School Organization and remit to the trustee of the bonds, to be deposited in the debt service fund, monthly lease payments starting at \$34,438 and increasing up to \$45,234 by 2036 with a final balloon payment of \$587,811 due May 25, 2040.

Series 2010B BCCSO Project Bonds

In June 2010, the Public Facilities Board of Benton County issued \$230,000 in Charter School Lease Revenue Bonds secured by a loan agreement with BCCSO, LLC as borrower. These bonds are taxable, bear interest at a rate of 6%, are due in annual installments with final maturity on June 1, 2013. The loan agreement requires BCCSO, LLC to collect from Benton County Charter School Organization and remit to the trustee of the bonds, to be deposited in the debt service fund, monthly lease payments starting at \$6,955 and increasing up to \$7,508 by June of 2012.

**BENTON COUNTY CHARTER SCHOOL ORGANIZATION, INC.
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011**

NOTE 7: BONDS PAYABLE AND BOND DISCOUNT – CONTINUED

All Bond Issues

The Organization is required to have on hand not less than \$100,000 in unrestricted cash or marketable securities and must maintain a debt service coverage ratio of greater than 1.10. The debt coverage ratio of the Organization for the years ended June 30, 2012 and 2011, calculated in accordance with the bond documents, is 1.71 and 1.79, respectively. The Organization was in compliance with all debt covenants for the years ended June 30, 2012 and 2011.

The loan agreement requires minimum debt service payments that are equal to the bond sinking fund requirements to provide for the redemption of the bonds upon maturity. The minimum debt service requirement of the bonds for the next five years and thereafter including principal and interest are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 85,000	\$ 428,213	\$ 513,213
2014	115,000	423,700	538,700
2015	125,000	417,950	542,950
2016	130,000	412,264	542,264
2017	135,000	404,645	539,645
Thereafter	<u>6,845,000</u>	<u>6,132,523</u>	<u>12,977,523</u>
	<u>\$ 7,435,000</u>	<u>\$ 8,219,295</u>	<u>\$ 15,654,295</u>

NOTE 8: FINANCIAL INSTRUMENTS WITH RISK OF ACCOUNTING LOSS

The Organization uses financial institutions in which it maintains cash balances, which at times may exceed federally insured limits. At June 30, 2012, all deposits held by the School were insured. The subsidiary held \$546,705 in U.S. Treasury Bills and \$42,799 in an uninsured money market account backed by commercial paper at June 30, 2012.

NOTE 9: COMMITMENTS

The Organization had an available line of credit through a local financial institution. The line of credit has a maximum amount available for advance of \$200,000 and matured July 2011. There were no amounts advanced as of June 30, 2011 and the Organization did not renew the line of credit upon maturity.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF CONSOLIDATED FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board
Benton County Charter School Organization, Inc. and subsidiary
Rogers, Arkansas

We have audited the consolidated financial statements of **Benton County Charter School Organization, Inc. and subsidiary** (the Organization) as of and for the year ended June 30, 2012, and have issued our report thereon dated November 28, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of the Organization is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Organization's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 Organization's consolidated financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated 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 consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board, the Arkansas Department of Education, and the Arkansas Department of Legislative Audit, and is not intended to be and should not be used by anyone other than these specified parties.



BEALL BARCLAY & COMPANY, PLC
Certified Public Accountants

Rogers, Arkansas
November 28, 2012

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH
ARKANSAS STATE REQUIREMENTS**

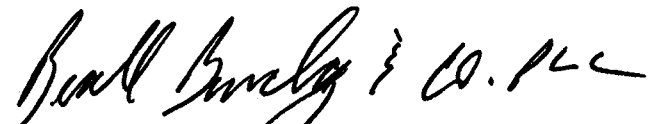
To the Board
Benton County Charter School Organization, Inc.
Rogers, Arkansas

We have examined management's assertions that **Benton County Charter School Organization, Inc.** (the School) substantially complied with the requirements of Arkansas Code Annotated 6-1-101 during the year ended June 30, 2012. **Benton County Charter School Organization, Inc.** oversees the charter school, Benton County School of the Arts (BCSA). Management is responsible for the School's compliance with those requirements. Our responsibility is to express an opinion on the School's compliance based on our examination.

Our examination was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants, and accordingly, included examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the School's compliance with specified requirements.

In our opinion, **Benton County Charter School Organization, Inc.** complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2012.

This report is intended solely for the information and use of management, the Board, the Arkansas Department of Education, and the Arkansas Department of Legislative Audit, and is not intended to be and should not be used by anyone other than these specified parties.



BEALL BARCLAY & COMPANY, PLC
Certified Public Accountants

Rogers, Arkansas
November 28, 2012