

**AMERICAN HERITAGE CHARTER SCHOOL**

**FINANCIAL STATEMENTS**

**Year Ended June 30, 2016**

AMERICAN HERITAGE CHARTER SCHOOL

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**FINANCIAL SECTION**

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## Independent Auditor's Report

Board of Directors  
American Heritage Charter School

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of American Heritage Charter School (the School) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### **Basis for Qualified Opinion on Governmental Activities**

Management believes the costs of implementing GASB 45 (having actuarial calculations performed for other post-employment benefits) cannot be justified at this time. Accounting principles generally accepted in the United States of America require that a liability be recorded for other post-employment benefits, which would decrease net position, increase liabilities, and increase expenses in the governmental activities. The amount by which this departure would affect net position, liabilities, and expenses in the governmental activities has not been determined.

### **Qualified Opinion**

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinion on Governmental Activities” paragraph, the financial statements referred to previously present fairly, in all material respects, the financial position of the governmental activities of the School, as of June 30, 2016, and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### **Unmodified Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of the School as of June 30, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the budgetary comparison schedules, schedule of employer’s share of net pension liability, and schedule of employer contributions listed as required supplementary information in the table of contents be presented to supplement the basic financial statements. Such information, although not required to be a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, and historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has not included the management's discussion and analysis information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, and historical context. Our opinion on the basic financial statements is not affected by not including this information.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School's basic financial statements. The accompanying combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 12, 2016, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

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

Payette, Idaho  
August 12, 2016

## **BASIC FINANCIAL STATEMENTS**

# AMERICAN HERITAGE CHARTER SCHOOL

## Statement of Net Position

June 30, 2016

	<u>Governmental Activities</u>
<b>Assets</b>	
Current Assets	
Cash	\$675,999
Receivables:	
Local Sources	0
State Sources	903
Federal Sources	47,198
Total Current Assets	<u>724,100</u>
Noncurrent Assets	
Nondepreciable Capital Assets	0
Depreciable Net Capital Assets	66,419
Total Noncurrent Assets	<u>66,419</u>
<b>Total Assets</b>	<u>790,519</u>
<b>Deferred Outflows of Resources</b>	
Pension Sources	203,700
<b>Total Deferred Outflows of Resources</b>	<u>203,700</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<u>\$994,219</u>
<b>Liabilities</b>	
Current Liabilities	
Accounts Payable	\$14,328
Salaries & Benefits Payable	116,646
Unspent Grant Allocation	6,985
Long-Term Debt, Current	4,620
Total Current Liabilities	<u>142,579</u>
Noncurrent Liabilities	
Long-Term Debt, Noncurrent	42,595
Net Pension Liability	310,700
Total Noncurrent Liabilities	<u>353,295</u>
<b>Total Liabilities</b>	<u>495,874</u>
<b>Deferred Inflows of Resources</b>	
Pension Sources	200,406
<b>Total Deferred Inflows of Resources</b>	<u>200,406</u>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<u>696,280</u>
<b>Net Position</b>	
Net Investment in Capital Assets	19,204
Restricted:	
Special Programs	40,119
Unrestricted	238,616
<b>Total Net Position</b>	<u>297,939</u>
<b>Total Liabilities and Deferred Inflows of Resources and Net Position</b>	<u>\$994,219</u>

See Accompanying Notes

# AMERICAN HERITAGE CHARTER SCHOOL

## Statement of Activities Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue And Changes in Net Position
		Charges For Services	Operating Grants And Contributions	Capital Grants And Contributions	Governmental Activities
<b>Governmental Activities</b>					
Instructional Programs					
Elementary School	\$525,153		\$18,495		(\$506,658)
Secondary School	266,382				(266,382)
Special Education	0				0
Support Service Programs					
Attendance - Guidance - Health	35,819		5,185		(30,634)
Special Education Support Services	40,010				(40,010)
Instruction Improvement	52,842		77,985		25,143
Instruction-Related Technology	28,513		9,642		(18,871)
Board of Education	28,129				(28,129)
District Administration	19,889				(19,889)
School Administration	84,201				(84,201)
Business Operation	72,487				(72,487)
Administrative Technology	24,968		12,143		(12,825)
Buildings - Care	145,334				(145,334)
Maintenance - Non-Student Occupied	15,944				(15,944)
Maintenance - Student Occupied	6,269				(6,269)
Maintenance - Grounds	4,906				(4,906)
Security	2,514				(2,514)
Pupil-To-School Transportation	6,506				(6,506)
Non-Instructional Programs					
Child Nutrition	70,978	\$37,119	39,184		5,325
Capital Assets - Student Occupied	1,892				(1,892)
Capital Assets - Non-Student Occupied	0				0
Debt Service - Principal	0				0
Debt Service - Interest	2,976				(2,976)
<b>Total</b>	\$1,435,712	\$37,119	\$162,634	\$0	(1,235,959)
<b>General Revenues</b>					
					60,960
					1,404,144
					0
					1,465,104
<b>Change in Net Position</b>					
					229,145
<b>Net Position - Beginning</b>					
					68,794
<b>Net Position - Ending</b>					
					\$297,939

**AMERICAN HERITAGE CHARTER SCHOOL**

Balance Sheet - Governmental Funds

June 30, 2016

	<b>General Fund</b>	<b>Albertsons Fund</b>	<b>Child Nutrition Fund</b>	<b>Other Governmental Funds</b>
<b>Assets</b>				
Cash	\$625,703	\$36,597	\$1,896	\$11,803
Receivables:				
Local Sources				0
State Sources	903			0
Federal Sources				47,198
Due From Other Funds	40,213			0
<b>Total Assets</b>	<u>\$666,819</u>	<u>\$36,597</u>	<u>\$1,896</u>	<u>\$59,001</u>
<b>Liabilities</b>				
Accounts Payable	\$14,194		\$134	\$0
Due To Other Funds				40,213
Salaries & Benefits Payable	106,603		775	9,268
Unspent Grant Allocation				6,985
<b>Total Liabilities</b>	<u>120,797</u>	<u>\$0</u>	<u>909</u>	<u>56,466</u>
<b>Fund Balances</b>				
Restricted:				
Special Programs		36,597	987	2,535
Unassigned	546,022			0
<b>Total Fund Balances</b>	<u>546,022</u>	<u>36,597</u>	<u>987</u>	<u>2,535</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$666,819</u>	<u>\$36,597</u>	<u>\$1,896</u>	<u>\$59,001</u>

**AMERICAN HERITAGE CHARTER SCHOOL**

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## Balance Sheet - Governmental Funds

June 30, 2016

	<b>Total Governmental Funds</b>
	<u>                    </u>
<b>Assets</b>	
Cash	\$675,999
Receivables:	
Local Sources	0
State Sources	903
Federal Sources	47,198
Due From Other Funds	40,213
<b>Total Assets</b>	<u><u>\$764,313</u></u>
<b>Liabilities</b>	
Accounts Payable	\$14,328
Due To Other Funds	40,213
Salaries & Benefits Payable	116,646
Unspent Grant Allocation	6,985
<b>Total Liabilities</b>	<u><u>178,172</u></u>
<b>Fund Balances</b>	
Restricted:	
Special Programs	40,119
Unassigned	546,022
<b>Total Fund Balances</b>	<u><u>586,141</u></u>
<b>Total Liabilities and Fund Balances</b>	<u><u>\$764,313</u></u>

Balance Sheet - Governmental Funds

June 30, 2016

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

<b>Total Governmental Fund Balances</b>	\$586,141
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	66,419
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Certain liabilities are not due and payable in the current period and therefore are not reported in the funds.	(47,215)
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Net pension liability and related pension source deferred outflow and deferred inflow of resources, are not due and payable in the current period and therefore are not reported in the funds.	(307,406)
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<b>Net Position of Governmental Activities</b>	<u><u>\$297,939</u></u>
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**AMERICAN HERITAGE CHARTER SCHOOL**  
Statement of Revenues, Expenditures, and Changes in  
Fund Balances - Governmental Funds  
Year Ended June 30, 2016

	<u>General Fund</u>	<u>Albertsons Fund</u>	<u>Child Nutrition Fund</u>	<u>Other Governmental Funds</u>
<b>Revenues</b>				
Local Revenue	\$107,820		\$37,119	\$0
State Revenue	1,404,144			26,970
Federal Revenue			39,184	49,620
<b>Total Revenues</b>	<u>1,511,964</u>	<u>\$0</u>	<u>76,303</u>	<u>76,590</u>
<b>Expenditures</b>				
Instructional Programs				
Elementary School	479,510			18,495
Secondary School	253,011			0
Special Education				0
Support Service Programs				
Attendance - Guidance - Health	29,766			6,053
Special Education Support Services	40,010			0
Instruction Improvement	21,717			31,125
Instruction-Related Technology	18,871			9,642
Board of Education	28,129			0
District Administration	19,889			0
School Administration	84,201			0
Business Operation	72,487			0
Administrative Technology	12,825			12,143
Buildings - Care	145,334			0
Maintenance - Non-Student Occupied	15,944			0
Maintenance - Student Occupied	6,269			0
Maintenance - Grounds	4,906			0
Security	2,514			0
Pupil-To-School Transportation	6,506			0
Non-Instructional Programs				
Child Nutrition	1,592		69,386	0
Capital Assets - Student Occupied				0
Capital Assets - Non-Student Occupied	10,000			0
Debt Service - Principal	4,352			0
Debt Service - Interest	2,976			0
<b>Total Expenditures</b>	<u>1,260,809</u>	<u>0</u>	<u>69,386</u>	<u>77,458</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	251,155	0	6,917	(868)
<b>Other Financing Sources (Uses)</b>				
Transfers In				0
Transfers Out				0
<b>Total Other Financing Sources (Uses)</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Net Change in Fund Balances</b>	251,155	0	6,917	(868)
<b>Fund Balances - Beginning</b>	294,867	36,597	(5,930)	3,403
<b>Fund Balances - Ending</b>	<u>\$546,022</u>	<u>\$36,597</u>	<u>\$987</u>	<u>\$2,535</u>

**AMERICAN HERITAGE CHARTER SCHOOL**  
Statement of Revenues, Expenditures, and Changes in  
Fund Balances - Governmental Funds  
Year Ended June 30, 2016

	<u><b>Total Governmental Funds</b></u>
<b>Revenues</b>	
Local Revenue	\$144,939
State Revenue	1,431,114
Federal Revenue	88,804
<b>Total Revenues</b>	<u>1,664,857</u>
<b>Expenditures</b>	
Instructional Programs	
Elementary School	498,005
Secondary School	253,011
Special Education	0
Support Service Programs	
Attendance - Guidance - Health	35,819
Special Education Support Services	40,010
Instruction Improvement	52,842
Instruction-Related Technology	28,513
Board of Education	28,129
District Administration	19,889
School Administration	84,201
Business Operation	72,487
Administrative Technology	24,968
Buildings - Care	145,334
Maintenance - Non-Student Occupied	15,944
Maintenance - Student Occupied	6,269
Maintenance - Grounds	4,906
Security	2,514
Pupil-To-School Transportation	6,506
Non-Instructional Programs	
Child Nutrition	70,978
Capital Assets - Student Occupied	0
Capital Assets - Non-Student Occupied	10,000
Debt Service - Principal	4,352
Debt Service - Interest	2,976
<b>Total Expenditures</b>	<u>1,407,653</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	257,204
<b>Other Financing Sources (Uses)</b>	
Transfers In	0
Transfers Out	0
<b>Total Other Financing Sources (Uses)</b>	<u>0</u>
<b>Net Change in Fund Balances</b>	257,204
<b>Fund Balances - Beginning</b>	328,937
<b>Fund Balances - Ending</b>	<u><u>\$586,141</u></u>

**AMERICAN HERITAGE CHARTER SCHOOL**  
Statement of Revenues, Expenditures, and Changes in  
Fund Balances - Governmental Funds  
Year Ended June 30, 2016

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**Reconciliation of the Statement of Revenues, Expenditures, and  
Changes in Fund Balances - Governmental Funds to the  
Statement of Activities**

**Net Change in Fund Balances - Total Governmental Funds** \$257,204

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

Government funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the excess of capital outlays over (under) depreciation expense in the current period. 8,108

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term debt in the statement of net position. 4,352

Changes in net pension liability and related pension source deferred outflow and deferred inflow of resources do not provide or require current financial resources and therefore are not reflected in the funds. (40,519)

**Change in Net Position of Governmental Activities** \$229,145

**AMERICAN HERITAGE CHARTER SCHOOL**

Statement of Fiduciary Net Position

June 30, 2016

	<b>Agency Funds - Student Activity</b>
<b>Assets</b>	
Cash & Investments	\$11,465
<b>Total Assets</b>	<u>\$11,465</u>
<b>Liabilities</b>	
Due to Student Groups	\$11,465
<b>Total Liabilities</b>	<u>11,465</u>
<b>Net Position</b>	
<b>Total Net Position</b>	<u>0</u>
<b>Total Liabilities and Net Position</b>	<u>\$11,465</u>

# AMERICAN HERITAGE CHARTER SCHOOL

## Notes to Financial Statements

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### A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Reporting Entity** – American Heritage Charter School (the School) is organized as a nonprofit corporation providing public charter school educational services as authorized by Section 33 of Idaho Code.

Idaho Code Section 33-5210(3) requires charter schools to comply with the same financial reporting requirements imposed on school districts, i.e. – on a governmental, rather than nonprofit, basis of accounting. Additionally, enabling legislation creates charter schools as public entities, i.e. – as public schools, subject to provisions common with other governmental entities as set forth in Idaho Code Section 33-5204. Accordingly, the School's basis of presentation follows the governmental, rather than nonprofit, reporting model.

These financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as applied to charter schools. The governmental accounting standards board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the School are discussed below.

**Basic Financial Statements - Government-Wide Statements** – The School's basic financial statements include both government-wide (reporting the School as a whole) and fund financial statements (reporting the School's major funds). Both government-wide and fund financial statements categorize primary activities as either governmental or business type. Currently, all the School's activities are categorized as governmental activities.

In the government-wide statement of net position, the activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations.

The government-wide statement of activities reports both the gross and net cost of each of the School's functions. The functions are also supported by general government revenues as reported in the statement of activities. The statement of activities reduces gross expenses (including depreciation when recorded) by related program revenues and operating and capital grants. Program revenues must be directly associated with the function. Internal activity between funds (when two or more funds are involved) is eliminated in the government-wide statement of activities. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reports capital-specific grants.

The net costs (by function) are normally covered by general revenues.

The School reports expenditures in accordance with the State Department of Education's "Idaho Financial Accounting Reporting Management System" (IFARMS). IFARMS categorizes all expenditures by function, program and object. Accordingly, there is no allocation of indirect costs.

## AMERICAN HERITAGE CHARTER SCHOOL

### Notes to Financial Statements

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The government-wide focus is more on the sustainability of the School as an entity and the change in the School's net position resulting from the current year's activities. Fiduciary funds, when present, are not included in the government-wide statements.

**Basic Financial Statements - Fund Financial Statements** – The financial transactions of the School are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues and expenditures/expenses.

The emphasis in fund financial statements is on the major funds. Nonmajor funds by category are summarized into a single column. Generally accepted accounting principles set forth minimum criteria (percentage of assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues or expenditures/expenses of the funds) for the determination of major funds.

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. Major governmental funds of the School include:

*General Fund* – The general fund is the School's primary operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

*Special Revenue Funds* – Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. Major special revenue funds include the Albertsons fund, which is used to account for certain funding for general operations, and the child nutrition fund, which serves to account for providing nutritional meals to students (including subsidized meals).

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support School programs. The reporting focus is on net position and changes in net position and are reported using accounting principles similar to proprietary funds. Fiduciary funds of the School include:

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

**Basis of Accounting** – Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

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

## AMERICAN HERITAGE CHARTER SCHOOL

### Notes to Financial Statements

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

**Cash** – Nearly all the cash balances of the School's funds are pooled for investment purposes. The individual funds' portions of the pooled cash are reported in each fund as cash. Interest earned on pooled cash is paid to the general fund unless Idaho Code specifies otherwise.

**Receivables** – Receivables are reported net of any estimated uncollectible amounts.

**Inventories** – Material supplies on hand at year end are stated at cost using the first-in, first-out method.

**Capital Assets and Depreciation** – Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at acquisition value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation over the estimated useful lives of depreciable assets is recorded using the straight line method.

**Compensated Absences** – The School provides certain compensated absences to its employees. The estimated amount of compensation for future amounts is deemed to be immaterial and, accordingly, no liability is recorded.

**Pensions** – For purposes of measuring the net pension liability and pension expense/revenue, information about the fiduciary net position of the Public Employee Retirement System of Idaho Base Plan (the Base Plan) and additions to/deductions from Base Plan's fiduciary net position have been determined on the same basis as they are reported by the Base Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Net Position** – Net position is assets plus deferred outflows of resources less liabilities less deferred inflows of resources. The net investment in capital assets component of net position consists of the historical cost of capital assets less accumulated depreciation less any outstanding debt that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets. Restricted net position consists of assets that are restricted by creditors, grantors, contributors, legislation, and other parties. All other net position not reported as restricted or net investment in capital assets is reported as unrestricted.

**Fund Balance Classifications** – Restrictions of the fund balance indicate portions that are legally or contractually segregated for a specific future use. Nonspendable portions of the fund

## AMERICAN HERITAGE CHARTER SCHOOL

### Notes to Financial Statements

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balance are those amounts that cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact. Committed portions represent amounts that can only be used for specific purposes pursuant to formal action (i.e. board approval) of the reporting entity's governing body. Assigned portions represent amounts that are constrained by the government's intent to be used for a specific purpose. Remaining fund balances are reported as unassigned. When expenditures are incurred that qualify for either restricted or unrestricted resources, the School first utilizes restricted resources. When expenditures are incurred that qualify for either committed or assigned or unassigned resources, the School first utilizes committed resources then assigned resources before using unassigned resources.

**Income Taxes** – The School is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code except for income, if any, derived from unrelated business activities. The School's Form 990, Return of Organization Exempt from Income Tax, for the fiscal years ending 2016, 2015, and 2014 are subject to examination by the IRS, generally for three years after they were filed.

**Contingent Liabilities** – Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the School expects such amounts, if any, to be immaterial.

**Interfund Activity** – Interfund activity is reported either as loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

**Use of Estimates** – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Concentrations of Credit Risk** – The School maintains its cash at insured financial institutions. Periodically, balances may exceed federally insured limits. The School does not have a formal policy concerning concentrations of credit risk.

**Risk Management** – The School is exposed to various risks related to its operations. Insurance is utilized to the extent practical to minimize these risks.

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

**AMERICAN HERITAGE CHARTER SCHOOL**

Notes to Financial Statements

**Subsequent Events** – Subsequent events were evaluated through the date of the auditor’s report, which is the date the financial statements were available to be issued.

**B. CASH**

Cash consists of the following at year end:

Cash - Deposits	<u>\$687,464</u>
<b>Total</b>	<u><u>\$687,464</u></u>

**Deposits** – At year end, the carrying amounts of the School's deposits were \$687,464 and the bank balances were \$699,105. Of the bank balances, \$250,000 was insured and the remainder was uninsured and uncollateralized.

**Investments** – State statutes authorize government entities to invest in certain bonds, notes, accounts, investment pools, and other obligations of the state, U.S. Government, and U.S. corporations pursuant to Idaho Code 67-1210 and 67-1210A. These statutes are designed to help minimize the custodial risk that deposits may not be returned in the event of the failure of the issuer or other counterparty, interest rate risk resulting from fair value losses arising from rising interest rates, or credit risks that an issuer or other counterparty will not fulfill its obligations. The School's investment policy complies with state statutes.

**C. RECEIVABLES**

Receivables consist of the following at year end:

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Total</u>
State Sources			
Foundation Program	<u>\$903</u>		<u>\$903</u>
<b>Total</b>	<u><u>\$903</u></u>		<u><u>\$903</u></u>
Federal Sources			
Special Programs		<u>\$47,198</u>	<u>\$47,198</u>
<b>Total</b>		<u><u>\$47,198</u></u>	<u><u>\$47,198</u></u>

**AMERICAN HERITAGE CHARTER SCHOOL**  
Notes to Financial Statements

**D. CAPITAL ASSETS**

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Nondepreciable Capital Assets				
Land	\$0			\$0
<b>Total</b>	<u>0</u>	<u>\$0</u>	<u>\$0</u>	<u>0</u>
Depreciable Capital Assets				
Buildings	54,604	10,000		64,604
Equipment	5,999			5,999
Subtotal	<u>60,603</u>	<u>10,000</u>	<u>0</u>	<u>70,603</u>
Accumulated Depreciation				
Buildings	1,092	1,292		2,384
Equipment	1,200	600		1,800
Subtotal	<u>2,292</u>	<u>1,892</u>	<u>0</u>	<u>4,184</u>
<b>Total</b>	<u>58,311</u>	<u>8,108</u>	<u>0</u>	<u>66,419</u>
<b>Net Capital Assets</b>	<u><u>\$58,311</u></u>	<u><u>\$8,108</u></u>	<u><u>\$0</u></u>	<u><u>\$66,419</u></u>

Depreciation expense of \$1,892 was charged to the capital assets – student occupied program.

**E. OPERATING LEASES**

The School has two operating leases for its premises. The first lease calls for two \$15,000 payments during the year. The second lease is non-cancelable, has a term from August 31, 2015 through June 30, 2036, and calls for monthly payments of \$7,456. Total lease payments for the year amounted to \$97,102.

**AMERICAN HERITAGE CHARTER SCHOOL**  
Notes to Financial Statements

Future minimum lease payments are estimated as follows:

<u>Year Ended</u>	
6/30/17	\$89,469
6/30/18	89,469
6/30/19	89,469
6/30/20	89,469
6/30/21	89,469
6/30/22-26	447,345
6/30/27-31	447,345
6/30/32-36	447,345
<b>Total</b>	<u><u>\$1,789,380</u></u>

**F. LONG-TERM DEBT**

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

Note payable due in monthly payments of \$611 with interest at 6.0%, unsecured, paid through the general fund	<u>\$47,215</u>
<b>Total</b>	<u><u>\$47,215</u></u>

Maturities on the note are estimated as follows:

<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>
6/30/17	\$4,620	\$2,707
6/30/18	4,905	2,422
6/30/19	5,207	2,120
6/30/20	5,529	1,798
6/30/21	5,870	1,457
6/30/22-25	<u>21,084</u>	<u>2,118</u>
<b>Total</b>	<u><u>\$47,215</u></u>	<u><u>\$12,622</u></u>

**AMERICAN HERITAGE CHARTER SCHOOL**

Notes to Financial Statements

Changes in long-term debt are as follows:

<u>Description</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Note Payable	\$51,567		\$4,352	\$47,215	\$4,620
<b>Total</b>	<u>\$51,567</u>	<u>\$0</u>	<u>\$4,352</u>	<u>\$47,215</u>	<u>\$4,620</u>

Interest and related costs during the year amounted to \$2,976 and were charged to the debt service – interest program.

**G. PENSION PLAN**

*Plan Description*

The School contributes to the Base Plan which is a cost-sharing multiple-employer defined benefit pension plan administered by Public Employee Retirement System of Idaho (PERSI or System) that covers substantially all employees of the State of Idaho, its agencies and various participating political subdivisions. The cost to administer the plan is financed through the contributions and investment earnings of the plan. PERSI issues a publicly available financial report that includes financial statements and the required supplementary information for PERSI. That report may be obtained on the PERSI website at [www.persi.idaho.gov](http://www.persi.idaho.gov).

Responsibility for administration of the Base Plan is assigned to the Board comprised of five members appointed by the Governor and confirmed by the Idaho Senate. State law requires that two members of the Board be active Base Plan members with at least ten years of service and three members who are Idaho citizens not members of the Base Plan except by reason of having served on the Board.

Employee membership data related to the PERSI Base Plan, as of June 30, 2015 was as follows:

Active participants	67,008
Terminated and vested	42,657
Retirees and beneficiaries	<u>11,859</u>
<b>Total</b>	<u><u>121,524</u></u>

*Pension Benefits*

The Base Plan provides retirement, disability, death and survivor benefits of eligible members or beneficiaries. Benefits are based on members' years of service, age, and highest average salary. Members become fully vested in their retirement benefits with five years of credited service (5 months for elected or appointed officials). Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. The annual service retirement allowance for each month of credited service is 2.0% (2.3% for police/firefighters) of the average monthly salary for the highest consecutive 42 months.

## AMERICAN HERITAGE CHARTER SCHOOL

### Notes to Financial Statements

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The benefit payments for the Base Plan are calculated using a benefit formula adopted by the Idaho Legislature. The Base Plan is required to provide a 1% minimum cost of living increase per year provided the Consumer Price Index increases 1% or more. The PERSI Board has the authority to provide higher cost of living increases to a maximum of the Consumer Price Index movement or 6%, whichever is less; however, any amount above the 1% minimum is subject to review by the Idaho Legislature.

#### *Member and Employer Contributions*

Member and employer contributions paid to the Base Plan are set by statute and are established as a percent of covered compensation and earnings from investments. Contribution rates are determined by the PERSI Board within limitations, as defined by state law. The Board may make periodic changes to employer and employee contribution rates (expressed as percentages of annual covered payroll) if current rates are actuarially determined to be inadequate or in excess to accumulate sufficient assets to pay benefits when due.

The contribution rates for employees are set by statute at 60% of the employer rate for general employees and 72% for police and firefighters. As of June 30, 2015 it was 6.79% for general employees and 8.36% for police and firefighters. The employer contribution rate as a percent of covered payroll is set by the Retirement Board and was 11.32% for general employees and 8.36% for police and firefighters. The School's contributions were \$78,039 for the year ended June 30, 2016.

#### *Pension Liabilities, Pension Expense (Revenue), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

At June 30, 2016, the School reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School's proportion of the net pension liability was based on the School's share of contributions in the Base Plan pension plan relative to the total contributions of all participating PERSI Base Plan employers. At July 1, 2015, the School's proportion was 0.0235944 percent.

For the year ended June 30, 2016, the School recognized pension expense (revenue) of \$118,557. At June 30, 2016, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**AMERICAN HERITAGE CHARTER SCHOOL**  
Notes to Financial Statements

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience		\$37,246
Changes in assumptions or other inputs	\$11,315	
Net difference between projected and actual earnings on pension plan investments	114,346	163,160
Employer contributions subsequent to the measurement date	78,039	
<b>Total</b>	<b>\$203,700</b>	<b>\$200,406</b>

\$78,039 reported as deferred outflows of resources related to pensions resulting from School contributions made subsequent to the measurement date will be recognized as an addition to the plan pension expense or reduction of the plan pension revenue in the year ending June 30, 2017.

The average of the expected remaining service lives of all employees that are provided with pensions through the System (active and inactive employees) determined at July 1, 2014 the beginning of the measurement period ended June 30, 2015 is 5.5 years.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

<b>Year Ended</b>			
6/30/17			(\$31,871)
6/30/18			(31,871)
6/30/19			(31,871)
6/30/20			23,133
6/30/21			(2,264)
<b>Total</b>			<b>(\$74,744)</b>

*Actuarial Assumptions*

Valuations are based on actuarial assumptions, the benefit formulas, and employee groups. Level percentages of payroll normal costs are determined using the Entry Age Normal Cost Method. Under the Entry Age Normal Cost Method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated as a level percentage of each year's earnings of the individual between entry age and assumed exit age. The Base Plan amortizes any unfunded actuarial accrued liability based on a level percentage of payroll. The maximum amortization period for the Base Plan permitted under Section 59-1322, Idaho Code, is 25 years.

## AMERICAN HERITAGE CHARTER SCHOOL

### Notes to Financial Statements

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The total pension liability in the July 1, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%
Salary increases	4.25 – 10.00%
Salary inflation	3.75%
Investment rate of return	7.10%, net of investment expenses
Cost-of-living adjustments	1%

Mortality rates were based on the RP – 2000 combined table for healthy males or females as appropriate with the following offsets:

- Set back 3 years for teachers
- No offset for male fire and police
- Forward one year for female fire and police
- Set back one year for all general employees and all beneficiaries

An experience study was performed in 2012 for the period July 1, 2007 through June 30, 2011 which reviewed all economic and demographic assumptions other than mortality. Mortality and all economic assumptions were studied in 2014 for the period from July 1, 2009 through June 30, 2013. The total pension liability as of June 30, 2015 is based on the results of an actuarial valuation date of July 1, 2015.

The long-term expected rate of return on pension plan investments was determined using the building block approach and a forward-looking model in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Even though history provides a valuable perspective for setting the investment return assumption, the System relies primarily on an approach which builds upon the latest capital market assumptions. Specifically, the System uses consultants, investment managers and trustees to develop capital market assumptions in analyzing the System's asset allocation. The assumptions and the System's formal policy for asset allocation are shown below. The formal asset allocation policy is somewhat more conservative than the current allocation of System's assets.

The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are as of January 1, 2014.

**AMERICAN HERITAGE CHARTER SCHOOL**  
Notes to Financial Statements

<b>Asset Class</b>	<b>Index</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return*</b>
Core Fixed Income	Barclays Aggregate	30.00%	0.80%
Broad US Equities	Wilshire 5000 / Russell 3000	55.00%	6.90%
Developed Foreign Equities	MSCI ACWI ex USA	15.00%	7.55%
Assumed Inflation - Mean			3.25%
Assumed Inflation - Standard Deviation			2.00%
Portfolio Arithmetic Mean Return			8.42%
Portfolio Long-Term Expected Geometric Rate of Return			7.50%
Assumed Investment Expenses			0.40%
<b>Long-Term Expected Geometric Rate of Return, Net of Investment Expenses</b>			<b>7.10%</b>

\*Arithmetic Return

*Discount Rate*

The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate. Based on these assumptions, the pension plans' net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term expected rate of return was determined net of pension plan investment expense but without reduction for pension plan administrative expense.

*Sensitivity of the School's proportionate share of the net pension liability to changes in the discount rate.*

The following presents the School's proportionate share of the net pension liability calculated using the discount rate of 7.10 percent, as well as what the School's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10 percent) or 1-percentage-point higher (8.10 percent) than the current rate:

	<b>1% Decrease (6.10%)</b>	<b>Current Discount Rate (7.10%)</b>	<b>1% Increase (8.10%)</b>
School's proportionate share of the net pension liability (asset)	\$756,752	\$310,700	(\$60,133)

**AMERICAN HERITAGE CHARTER SCHOOL**

Notes to Financial Statements

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*Pension plan fiduciary net position*

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERSI financial report.

PERSI issues a publicly available financial report that includes financial statements and the required supplementary information for PERSI. That report may be obtained on the PERSI website at [www.persi.idaho.gov](http://www.persi.idaho.gov).

**H. INTERFUND BALANCES**

Interfund balances at year end consist of the following:

	<b>Due From Fund</b>	
	<b>Nonmajor Governmental</b>	<b>Total</b>
<b>Due To Fund</b>		
General	\$40,213	\$40,213
<b>Total</b>	<b>\$40,213</b>	<b>\$40,213</b>

These interfund balances resulted from the time lag between when expenditures are incurred in a fund and when the fund is reimbursed for such expenditures.

**REQUIRED SUPPLEMENTARY INFORMATION**

**AMERICAN HERITAGE CHARTER SCHOOL** Page 1 of 3  
 Budgetary Comparison Schedule - General and Major Special Revenue Funds  
 Year Ended June 30, 2016

<b>General Fund</b>	<b>Budgeted Amounts (GAAP Basis)</b>		<b>Actual Amounts</b>	<b>Final Budget Variance Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Local Revenue	\$40,000	\$43,000	\$107,820	\$64,820
State Revenue	1,391,029	1,446,921	1,404,144	(42,777)
Federal Revenue	0	0	0	0
<b>Total Revenues</b>	<b>1,431,029</b>	<b>1,489,921</b>	<b>1,511,964</b>	<b>22,043</b>
<b>Expenditures</b>				
Instructional Programs				
Elementary School	516,230	515,662	479,510	36,152
Secondary School	335,280	268,003	253,011	14,992
Special Education	21,124	21,124	0	21,124
Support Service Programs				
Attendance - Guidance - Health	27,493	34,421	29,766	4,655
Special Education Support Services	53,000	53,312	40,010	13,302
Instruction Improvement	21,845	32,660	21,717	10,943
Instruction-Related Technology	1,458	20,146	18,871	1,275
Board of Education	25,550	29,309	28,129	1,180
District Administration	11,536	19,233	19,889	(656)
School Administration	73,759	90,607	84,201	6,406
Business Operation	75,451	82,371	72,487	9,884
Administrative Technology	24,458	16,056	12,825	3,231
Buildings - Care	77,800	138,783	145,334	(6,551)
Maintenance - Non-Student Occupied	11,500	19,543	15,944	3,599
Maintenance - Student Occupied	9,500	8,958	6,269	2,689
Maintenance - Grounds	7,300	5,946	4,906	1,040
Security	1,000	2,899	2,514	385
Pupil-To-School Transportation	9,000	19,006	6,506	12,500
Non-Instructional Programs				
Child Nutrition	1,774	1,695	1,592	103
Capital Assets - Student Occupied	0	0	0	0
Capital Assets - Non-Student Occupied	0	0	10,000	(10,000)
Debt Service - Principal	87,842	8,972	4,352	4,620
Debt Service - Interest	25,000	5,682	2,976	2,706
<b>Total Expenditures</b>	<b>1,417,900</b>	<b>1,394,388</b>	<b>1,260,809</b>	<b>133,579 *</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>13,129</b>	<b>95,533</b>	<b>251,155</b>	<b>155,622</b>
<b>Other Financing Sources (Uses)</b>				
Transfers In	0	0	0	0
Transfers Out	0	0	0	0 *
<b>Total Other Financing Sources (Uses)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net Change in Fund Balances</b>	<b>13,129</b>	<b>95,533</b>	<b>251,155</b>	<b>155,622</b>
<b>Fund Balances - Beginning</b>	<b>0</b>	<b>294,867</b>	<b>294,867</b>	<b>0</b>
<b>Fund Balances - Ending</b>	<b>\$13,129</b>	<b>\$390,400</b>	<b>\$546,022</b>	<b>\$155,622</b>
<i>*Total expenditures (over) under appropriations are:</i>				<u><u>\$133,579</u></u>

Budgetary Comparison Schedule - General and Major Special Revenue Funds

Year Ended June 30, 2016

Albertsons Fund	Budgeted Amounts (GAAP Basis)		Actual Amounts	Final Budget Variance Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Local Revenue	\$0	\$0	\$0	\$0
State Revenue	0	0	0	0
Federal Revenue	0	0	0	0
<b>Total Revenues</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Expenditures</b>				
Instructional Programs				
Elementary School	0	0	0	0
Secondary School	0	0	0	0
Special Education	0	0	0	0
Support Service Programs				
Attendance - Guidance - Health	0	0	0	0
Special Education Support Services	0	0	0	0
Instruction Improvement	0	0	0	0
Instruction-Related Technology	0	0	0	0
Board of Education	0	0	0	0
District Administration	0	0	0	0
School Administration	0	0	0	0
Business Operation	0	0	0	0
Administrative Technology	0	0	0	0
Buildings - Care	0	0	0	0
Maintenance - Non-Student Occupied	0	0	0	0
Maintenance - Student Occupied	0	36,000	0	36,000
Maintenance - Grounds	0	0	0	0
Security	0	0	0	0
Pupil-To-School Transportation	0	0	0	0
Non-Instructional Programs				
Child Nutrition	0	0	0	0
Capital Assets - Student Occupied	0	0	0	0
Capital Assets - Non-Student Occupied	0	0	0	0
Debt Service - Principal	0	0	0	0
Debt Service - Interest	0	0	0	0
<b>Total Expenditures</b>	<b>0</b>	<b>36,000</b>	<b>0</b>	<b>36,000 *</b>
<b>Excess (Deficiency) of Revenues</b>				
<b>Over Expenditures</b>	<b>0</b>	<b>(36,000)</b>	<b>0</b>	<b>36,000</b>
<b>Other Financing Sources (Uses)</b>				
Transfers In	0	0	0	0
Transfers Out	0	0	0	0 *
<b>Total Other Financing Sources (Uses)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net Change in Fund Balances</b>	<b>0</b>	<b>(36,000)</b>	<b>0</b>	<b>36,000</b>
<b>Fund Balances - Beginning</b>	<b>0</b>	<b>36,000</b>	<b>36,597</b>	<b>597</b>
<b>Fund Balances - Ending</b>	<b>\$0</b>	<b>\$0</b>	<b>\$36,597</b>	<b>\$36,597</b>

\*Total expenditures (over) under appropriations are: \$36,000

**AMERICAN HERITAGE CHARTER SCHOOL**

Budgetary Comparison Schedule - General and Major Special Revenue Funds

Year Ended June 30, 2016

	Budgeted Amounts (GAAP Basis)		Actual Amounts	Final Budget Variance Positive (Negative)
	Original	Final		
<b>Child Nutrition Fund</b>				
<b>Revenues</b>				
Local Revenue	\$40,800	\$35,500	\$37,119	\$1,619
Federal Revenue	34,975	25,000	39,184	14,184
<b>Total Revenues</b>	<u>75,775</u>	<u>60,500</u>	<u>76,303</u>	<u>15,803</u>
<b>Expenditures</b>				
Non-Instructional Programs				
Child Nutrition	75,775	72,500	69,386	3,114
<b>Total Expenditures</b>	<u>75,775</u>	<u>72,500</u>	<u>69,386</u>	<u>3,114</u> *
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	0	(12,000)	6,917	18,917
<b>Other Financing Sources (Uses)</b>				
Transfers In	0	12,000	0	(12,000)
Transfers Out	0	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<u>0</u>	<u>12,000</u>	<u>0</u>	<u>(12,000)</u>
<b>Net Change in Fund Balances</b>	0	0	6,917	6,917
<b>Fund Balances - Beginning</b>	<u>0</u>	<u>0</u>	<u>(5,930)</u>	<u>(5,930)</u>
<b>Fund Balances - Ending</b>	<u>\$0</u>	<u>\$0</u>	<u>\$987</u>	<u>\$987</u>
				<u>\$3,114</u>

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

**AMERICAN HERITAGE CHARTER SCHOOL**  
Schedule of Employer's Share of Net Pension Liability  
**PERSI - Base Plan**  
Last 10 - Fiscal Years\*

	<u>2016</u>	<u>2015</u>
School's portion of the net pension liability	0.0235944%	0.0202394%
School's proportionate share of the net pension liability	\$310,700	\$148,994
School's covered-employee payroll	\$689,390	\$660,875
School's proportional share of the net pension liability as a percentage of its covered-employee payroll	45.07%	22.54%
Plan fiduciary net position as a percentage of the total pension liability	91.38%	94.95%

\*GASB 68 requires ten years of information to be presented in this table. However, until a 10-year trend is compiled, only those years for which information is available will be presented.

Data reported is measured using the beginning fiscal year measurement date (i.e. July 1).

**AMERICAN HERITAGE CHARTER SCHOOL**

Schedule of Employer Contributions

PERSI - Base Plan

Last 10 - Fiscal Years\*

	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$78,039	\$74,811
Contributions in relation to the statutorily required contribution	\$78,039	\$74,811
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>
School's covered-employee payroll	<u>\$689,390</u>	<u>\$660,875</u>
Contributions as a percentage of covered-employee payroll	11.32%	11.32%

\*GASB 68 requires ten years of information to be presented in this table. However, until a 10-year trend is compiled, only those years for which information is available will be presented.

Data reported is measured as of each year's fiscal year end.

**SUPPLEMENTARY INFORMATION**

**AMERICAN HERITAGE CHARTER SCHOOL**  
 Combining Balance Sheet - Nonmajor Governmental Funds  
 June 30, 2016

	<b>Special Revenue Funds</b>			
	<b>Technology</b>	<b>Substance Abuse</b>	<b>Title I-A ESEA IBP</b>	<b>Special Educ. IDEA Part B School-Age</b>
<b>Assets</b>				
Cash	\$9,268	\$2,535		
Receivables:				
Local Sources				
State Sources				
Federal Sources			\$18,829	\$10,164
Due From Other Funds				
<b>Total Assets</b>	<u>\$9,268</u>	<u>\$2,535</u>	<u>\$18,829</u>	<u>\$10,164</u>
<b>Liabilities</b>				
Accounts Payable				
Due To Other Funds			\$18,829	\$10,164
Salaries & Benefits Payable	\$9,268			
Unspent Grant Allocation				
<b>Total Liabilities</b>	<u>9,268</u>	<u>\$0</u>	<u>18,829</u>	<u>10,164</u>
<b>Fund Balances</b>				
Restricted:				
Special Programs		2,535		
Unassigned				
<b>Total Fund Balances</b>	<u>0</u>	<u>2,535</u>	<u>0</u>	<u>0</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$9,268</u>	<u>\$2,535</u>	<u>\$18,829</u>	<u>\$10,164</u>

**AMERICAN HERITAGE CHARTER SCHOOL**  
 Combining Balance Sheet - Nonmajor Governmental Funds  
 June 30, 2016

	Special Revenue Funds		
	Title VI-B ESEA REAP	Title II-A Improving Teacher Quality	Total
<b>Assets</b>			
Cash			\$11,803
Receivables:			
Local Sources			0
State Sources			0
Federal Sources	\$1,617	\$16,588	47,198
Due From Other Funds			0
<b>Total Assets</b>	\$1,617	\$16,588	\$59,001
<b>Liabilities</b>			
Accounts Payable			\$0
Due To Other Funds	\$1,617	\$9,603	40,213
Salaries & Benefits Payable			9,268
Unspent Grant Allocation		6,985	6,985
<b>Total Liabilities</b>	1,617	16,588	56,466
<b>Fund Balances</b>			
Restricted:			
Special Programs			2,535
Unassigned			0
<b>Total Fund Balances</b>	0	0	2,535
<b>Total Liabilities and Fund Balances</b>	\$1,617	\$16,588	\$59,001

**AMERICAN HERITAGE CHARTER SCHOOL**  
Combining Statement of Revenues, Expenditures, and Changes in  
Fund Balances - Nonmajor Governmental Funds  
Year Ended June 30, 2016

	<u>Special Revenue Funds</u>			
	<u>Technology</u>	<u>Substance Abuse</u>	<u>Title I-A ESEA IBP</u>	<u>Special Educ. IDEA Part B School-Age</u>
<b>Revenues</b>				
Local Revenue				
State Revenue	\$21,785	\$5,185		
Federal Revenue			\$18,495	
<b>Total Revenues</b>	<u>21,785</u>	<u>5,185</u>	<u>18,495</u>	<u>\$0</u>
<b>Expenditures</b>				
Instructional Programs				
Elementary School			18,495	
Secondary School				
Special Education				
Support Service Programs				
Attendance - Guidance - Health		6,053		
Special Education Support Services				
Instruction Improvement				
Instruction-Related Technology	9,642			
Board of Education				
District Administration				
School Administration				
Business Operation				
Administrative Technology	12,143			
Buildings - Care				
Maintenance - Non-Student Occupied				
Maintenance - Student Occupied				
Maintenance - Grounds				
Security				
Pupil-To-School Transportation				
Non-Instructional Programs				
Child Nutrition				
Capital Assets - Student Occupied				
Capital Assets - Non-Student Occupied				
Debt Service - Principal				
Debt Service - Interest				
<b>Total Expenditures</b>	<u>21,785</u>	<u>6,053</u>	<u>18,495</u>	<u>0</u>
<b>Excess (Deficiency) of Revenues</b>				
<b>Over Expenditures</b>	0	(868)	0	0
<b>Other Financing Sources (Uses)</b>				
Transfers In				
Transfers Out				
<b>Total Other Financing Sources (Uses)</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Net Change in Fund Balances</b>	0	(868)	0	0
<b>Fund Balances - Beginning</b>	0	3,403	0	0
<b>Fund Balances - Ending</b>	<u>\$0</u>	<u>\$2,535</u>	<u>\$0</u>	<u>\$0</u>

**AMERICAN HERITAGE CHARTER SCHOOL**  
Combining Statement of Revenues, Expenditures, and Changes in  
Fund Balances - Nonmajor Governmental Funds  
Year Ended June 30, 2016

	<u>Special Revenue Funds</u>		
	<u>Title VI-B ESEA REAP</u>	<u>Title II-A Improving Teacher Quality</u>	<u>Total</u>
<b>Revenues</b>			
Local Revenue			\$0
State Revenue			26,970
Federal Revenue	\$17,488	\$13,637	49,620
<b>Total Revenues</b>	<u>17,488</u>	<u>13,637</u>	<u>76,590</u>
<b>Expenditures</b>			
Instructional Programs			
Elementary School			18,495
Secondary School			0
Special Education			0
Support Service Programs			
Attendance - Guidance - Health			6,053
Special Education Support Services			0
Instruction Improvement	17,488	13,637	31,125
Instruction-Related Technology			9,642
Board of Education			0
District Administration			0
School Administration			0
Business Operation			0
Administrative Technology			12,143
Buildings - Care			0
Maintenance - Non-Student Occupied			0
Maintenance - Student Occupied			0
Maintenance - Grounds			0
Security			0
Pupil-To-School Transportation			0
Non-Instructional Programs			
Child Nutrition			0
Capital Assets - Student Occupied			0
Capital Assets - Non-Student Occupied			0
Debt Service - Principal			0
Debt Service - Interest			0
<b>Total Expenditures</b>	<u>17,488</u>	<u>13,637</u>	<u>77,458</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	0	0	(868)
<b>Other Financing Sources (Uses)</b>			
Transfers In			0
Transfers Out			0
<b>Total Other Financing Sources (Uses)</b>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Net Change in Fund Balances</b>	0	0	(868)
<b>Fund Balances - Beginning</b>	0	0	3,403
<b>Fund Balances - Ending</b>	<u>\$0</u>	<u>\$0</u>	<u>\$2,535</u>

## **OTHER REPORTS**

Audits  
Taxes  
Special Services



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

Board of Directors  
American Heritage Charter School

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the American Heritage Charter School (the School), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated August 12, 2016.

**Internal Control Over Financial Reporting**

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control 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 material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

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

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

Payette, Idaho  
August 12, 2016