

HERITAGE ACADEMY, INC.

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

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# Rexroat, Harberd & Assoc., P.A.

## Certified Public Accountants

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October 11, 2017

### Independent Auditor's Report

Board of Trustees  
Heritage Academy, Inc.  
Jerome, Idaho 83338

#### **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 Heritage Academy, Inc., as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the basic financial statements of Heritage Academy, Inc., 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.

#### ***Auditors' 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 from material misstatement.

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

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

#### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Heritage Academy, Inc., as of June 30, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 16 and 17; the Employer Pension schedules on page 18 and 19; and the Notes to Required Supplementary Information on page 20 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of Heritage Academy, Inc. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued a report dated October 11, 2017, on our consideration of internal control over financial reporting of Heritage Academy, Inc., and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Heritage Academy, Inc.'s internal control over financial reporting and compliance.

Rexroat, Harberd & Assoc., P.A.

HERITAGE ACADEMY  
STATEMENT OF NET POSITION  
JUNE 30, 2017

	<u>Total Governmental</u>
<u>ASSETS:</u>	
Pooled cash, cash equivalents and investments	\$ 72,885
Accounts receivable:	
State of Idaho:	
Foundation programs apportionment:	
Base support program	99,486
Federal grants	20,773
Other receivable	3,345
Restricted cash, cash equivalents and investments	65,735
Capital assets:	
Land	75,000
Other capital assets, less accumulated depreciation	244,427
Total assets	581,651
<u>DEFERRED OUTFLOWS OF RESOURCES:</u>	
Changes in pension assumptions or other inputs	10,477
Net difference between projected and actual investment earnings on pension plan investments	229,410
Employer contributions to pension plan made subsequent to the measurement date for the net pension liability	83,180
Change in proportionate share percentage from prior year	22,969
Total deferred outflows of resources	346,036
<u>LIABILITIES:</u>	
Accounts payable	333
Salaries and benefits payable	105,720
Long-term liabilities other than pensions:	
Current portion	57,641
Noncurrent portion	-
Net pension liability	471,338
Total liabilities	635,032
<u>DEFERRED INFLOWS OF RESOURCES:</u>	
Differences between expected and actual pension experience related to the pension plan	46,965
Net difference between projected and actual investment earnings on pension plan investments	107,191
	154,156
<u>NET POSITION:</u>	
Net investment in capital assets	271,489
Restricted	65,735
Unrestricted	(198,725)
Total net position	\$ 138,499

The accompanying notes are an integral part of the financial statements

HERITAGE ACADEMY  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2017

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
<u>Functions/Programs:</u>				
<u>Governmental Activities:</u>				
Instruction and instruction-related services	\$ 903,247	\$ -	\$ 192,630	\$ (710,617)
Support services	278,104	-	-	(278,104)
Maintenance and operations	54,275	-	10,716	(43,559)
Transportation	80,051	-	73,336	(6,715)
Food services	116,317	115	113,097	(3,105)
Capital outlay	-	-	-	-
Interest on long-term debt - unallocated	5,111	-	-	(5,111)
Depreciation - unallocated*	5,555	-	-	(5,555)
Total governmental activities	<u>\$ 1,442,660</u>	<u>\$ 115</u>	<u>\$ 389,779</u>	<u>(1,052,766)</u>
 General Revenues:				
State aid not restricted to a specific purpose				1,126,548
Unrestricted investment earnings				277
Other local revenue				22,034
Total general revenues and special items				<u>1,148,859</u>
Change in net position				96,093
Net position-beginning of year				42,406
Net position-end of year				<u>\$ 138,499</u>

\* This amount includes all depreciation. There is no depreciation that is included in the direct expenses of the various programs.

The accompanying notes are an integral part of the financial statements

HERITAGE ACADEMY  
BALANCE SHEET-GOVERNMENTAL FUNDS  
JUNE 30, 2017

	General	Food Service	Nonmajor Governmental	Total Governmental
<u>ASSETS:</u>	<u>Fund</u>	<u>Fund</u>	<u>Funds</u>	<u>Funds</u>
Pooled cash and cash equivalents	\$ 44,358	\$ 17,302	\$ 11,225	\$ 72,885
Accounts receivable:				
State of Idaho:				
Foundation programs apportionment:				
Base support program	99,486	-	-	99,486
Federal grants	-	-	20,773	20,773
Other	3,345	-	-	3,345
Due from other funds	9,682	-	-	9,682
Restricted cash and cash equivalents	65,735	-	-	65,735
<u>TOTAL ASSETS</u>	<u>\$ 222,606</u>	<u>\$ 17,302</u>	<u>\$ 31,998</u>	<u>\$ 271,906</u>
<u>LIABILITIES:</u>				
Accounts payable	\$ 333	\$ -	\$ -	\$ 333
Salaries and benefits payable	92,751	1,415	11,554	105,720
Due to other funds	-	-	9,682	9,682
<u>TOTAL LIABILITIES</u>	<u>93,084</u>	<u>1,415</u>	<u>21,236</u>	<u>115,735</u>
<u>DEFERRED INFLOWS OF RESOURCES:</u>				
Unavailable revenue - Federal grants	-	-	608	608
<u>TOTAL DEFERRED INFLOWS OF RESOURCES</u>	<u>-</u>	<u>-</u>	<u>608</u>	<u>608</u>
<u>FUND BALANCES:</u>				
Restricted for:				
State Programs	-	-	10,762	10,762
Federal Programs	-	15,887	(608)	15,279
Playground Equipment	4,548	-	-	4,548
Lego League Grant	752	-	-	752
Student-Occupied building maintenance	60,435	-	-	60,435
Unassigned	63,787	-	-	63,787
<u>TOTAL FUND BALANCES</u>	<u>129,522</u>	<u>15,887</u>	<u>10,154</u>	<u>155,563</u>
<u>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</u>	<u>\$ 222,606</u>	<u>\$ 17,302</u>	<u>\$ 31,998</u>	<u>\$ 271,906</u>

Reconciliation to the Statement of Net Position:

Total Fund Balances - Governmental Funds	\$ 155,563
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:	
Land and buildings	352,757
Accumulated depreciation	(33,330)
Federal grant program revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred outflows of resources in the funds	608
Pension related deferred outflows of resources not reported in the funds	346,036
Pension related deferred inflows of resources not reported in the funds	(154,156)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:	
Loans payable	(47,938)
Accrued vacation	(9,703)
Net pension liability	(471,338)
Total Net Position - Governmental Activities	<u>\$ 138,499</u>

The accompanying notes are an integral part of the financial statements

HERITAGE ACADEMY  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2017

	General Fund	Food Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUE:</b>				
Interest on investments	\$ 277	\$ -	\$ -	\$ 277
Federal assistance	17,068	112,892	134,618	264,578
State assistance	1,210,600	-	42,625	1,253,225
Contributions	15,555	205	-	15,760
Other local revenue	6,479	-	-	6,479
Sale of lunches	-	115	-	115
Total revenue	<u>1,249,979</u>	<u>113,212</u>	<u>177,243</u>	<u>1,540,434</u>
<b>EXPENDITURES:</b>				
Current:				
Instruction - salaries and benefits	692,302	-	120,604	812,906
Instruction - other	33,442	-	52,317	85,759
Support services	270,640	-	-	270,640
Maintenance and operations	54,275	-	-	54,275
Transportation	80,051	-	-	80,051
Non-instruction	-	116,344	-	116,344
Capital outlay	-	-	-	-
Debt service:				
Loan principal retirement	48,734	-	-	48,734
Loan interest charges and fees	5,111	-	-	5,111
Total expenditures	<u>1,184,555</u>	<u>116,344</u>	<u>172,921</u>	<u>1,473,820</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES</b>	<u>65,424</u>	<u>(3,132)</u>	<u>4,322</u>	<u>66,614</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating transfers in	-	2,549	-	2,549
Operating transfers out	(2,549)	-	-	(2,549)
Total other financing sources (uses)	<u>(2,549)</u>	<u>2,549</u>	<u>-</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUE AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES</b>	<u>62,875</u>	<u>(583)</u>	<u>4,322</u>	<u>66,614</u>
<b>FUND BALANCE JULY 1, 2016</b>	<u>66,647</u>	<u>16,470</u>	<u>5,832</u>	<u>88,949</u>
<b>FUND BALANCE JUNE 30, 2017</b>	<u>\$ 129,522</u>	<u>\$ 15,887</u>	<u>\$ 10,154</u>	<u>\$ 155,563</u>

**Reconciliation to the Statement of Activities:**

Total net changes in fund balances - governmental funds	\$ 66,614
Amounts reported for governmental activities in the Statement of Activities are different because:	
Repayment of loan principal is an expenditure in the governmental funds, but the payment reduces long-term liabilities in the Statement of Net Position	48,734
The increase in the compensated absences liability in the Statement of Activities does not affect the use of current financial resources and is not reported in the governmental funds	(7,272)
Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives as depreciation expense. Donated assets are set up at fair value with a corresponding amount of revenue recognized. In the current period, these amounts are:	
Capital outlay	-
Depreciation expense	(5,555)
Some Federal grant revenues will not be collected for several months after the Academy's fiscal year ends, they do not provide current financial resources and are not reported as revenues in the governmental funds:	
Current year grant revenues	608
Prior year grant revenues	(2,289)
Changes in pension related deferred outflows of resources, deferred inflows of resources, and net pension liability do not require the use of current financial resources and are not reported in the governmental funds	(4,747)
Change in net position of governmental activities	<u>\$ 96,093</u>

The accompanying notes are an integral part of the financial statements



HERITAGE ACADEMY, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying financial statements of Heritage Academy, Inc., (the Academy) have been prepared in conformity with accounting principles generally accepted in the United States of America applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB). A summary of the Academy's more significant accounting policies follows.

**A) Reporting Entity**

Heritage Academy, Inc., is a charter school organized under the laws of the State of Idaho and is located in Jerome in the southern portion of Idaho. It is legally separate from and fiscally independent of other state and local governments. The Academy provides public education to children in the local area. Operations of the Academy are the responsibility of a five member Board of Directors. The Academy receives State, local, and federal government funding and must adhere to the legal requirements of each funding entity.

In evaluating how to define the Academy for financial reporting purposes, management has identified no potential component units. The decision to include a potential component unit in the reporting entity would have been made by applying criteria set forth in accounting principles generally accepted in the United States of America. The Academy's financial statements present only the funds of those organizational entities for which its governing board is financially accountable.

**B) Government-wide and Fund Financial Statements**

The Academy's financial statements include the activities of the Academy. The Academy's *government-wide financial statements* provide both short-term and long-term information about the Academy's overall financial status. *Fund financial statements* focus on the individual activities of Academy government, reporting the Academy's operations in more detail than the government-wide financial statements.

**Government-wide financial statements.** The statement of net position and the statement of activities display information about the Academy. These statements include the financial activities of the overall government. Eliminations have been made to minimize the effect of internal activities upon revenues and expenses. These statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The *statement of net position* presents information on all of the Academy's assets and liabilities, with the difference between the two presented as net position. Net position is reported as one of three categories: net investment in capital assets; restricted; or unrestricted. Restricted net position is further classified as either restricted by enabling legislation or otherwise restricted.

The *statement of activities* presents information showing how net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event gives rise to the change that occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected Federal grants and earned but unused vacation leave).

Amounts reported as program revenues on the government-wide financial statements include (a) charges for services - amounts received from customers or applicants who purchase, use or directly benefit from the goods, services or privileges provided by the Academy, (b) program-specific operating grants and contributions, and (c) program-specific capital grants and contributions. General revenues consist of taxes and all other revenues that do not meet the definition of program revenues. Special items are significant transactions or events within the control of management that are either unusual in nature or infrequent in occurrence.

**Fund financial statements.** The Academy, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the Academy's funds are reported in governmental funds. The Academy has no proprietary funds or fiduciary funds.

HERITAGE ACADEMY, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017

*Governmental funds.* Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements use a current financial resources measurement focus and the modified accrual basis of accounting, focusing on the near-term inflows and outflows of spendable resources and balances of spendable resources available at fiscal year end. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Academy considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting, except expenditures related to compensated absences and claims and judgments, which are recorded only when payment is due.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Academy maintains nine individual governmental funds. Information is presented separately for the following major funds:

*General Fund* - The General Fund is the Academy's primary operating fund. It accounts for all resources used to finance Academy maintenance and operation except those required to be accounted for in other funds.

*Food Service Fund* - The Food Service Fund accounts for the accumulation of financial resources to be used for providing food to school children.

Data from the other governmental funds (nonmajor funds) are combined into a single, aggregated presentation identified as "Nonmajor Governmental."

The Academy adopts annual budgets for the General Fund and a combined budget for all other funds. Budgetary comparison schedules have been provided for all major funds.

When both restricted and unrestricted resources are available for use for governmental activities, it is the Academy's policy to use restricted resources first, then unrestricted resources as they are needed.

C) Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balances

1. Inventories

The Academy does not capitalize and reflect as inventory, expendable supplies on hand at fiscal year end. Materials and supplies are recorded as an expense of the period.

2. Capital Assets

Capital assets, which include property, plant, equipment, and land are reported in the government-wide financial statements. Assets are capitalized when they have a unit cost of \$4,000 or more.

Purchased or constructed capital assets are valued at cost or estimated historical cost if actual historical cost is not practicably determinable. Donated capital assets are recorded at their fair value at the time received.

Exhaustible capital assets are depreciated on the straight-line method over the asset's useful life. Depreciation expense is recorded in the government-wide financial statements. There is no depreciation recorded for land, construction in process, or other capital assets defined as inexhaustible. The Academy uses the guidance provided by the Association of School Business Officials to determine asset lives.

HERITAGE ACADEMY, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017

3. Encumbrances  
Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed as an extension of formal budgetary integration in the funds. This is in conformance with Idaho State Statutes which require that appropriations lapse at the end of a fiscal year and are not available to be carried forward to be used in addition to the succeeding year's appropriation.
  
4. Long-term Debt Obligations  
In the government-wide financial statements long-term debt is reported as a liability. Issuance costs are deferred and amortized using the effective interest rate method.  
  
In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums and discounts on debt issuances are reported as other financing sources and other financing uses, respectively.
  
5. Compensated Absences  
The Academy accrues accumulated unpaid vacation, personal leave days, and associated employer-related costs when earned by the employee. Upon termination, employees are paid full value for any accrued vacation or personal leave days earned. Vacation and personal leave days that are expected to be liquidated with expendable available financial resources are reported as an expenditure and a fund liability. Vacation and personal leave days that are not expected to be liquidated with expendable available financial resources are maintained separately and represent a reconciling item between the fund and government-wide presentations.
  
6. Deferred Outflows/Inflows of Resources  
In addition to assets, the statement of net position may include a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Currently, pension related items, as listed in Note 7, are the only items that qualify for reporting in this category.  
  
In addition to liabilities, the statement of net position and the balance sheet may include a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The statement of net position reports pension related items, as listed in Note 7, as deferred inflows of resources. The balance sheet reports Federal grant program revenues which are unavailable (will not be collected soon enough after year-end to pay for the current year's expenditures) as deferred inflows of resources.
  
7. Pensions  
For purposes of measuring the net pension liability and pension expense, information about the fiduciary net position of the Public Employee Retirement System of Idaho Base Plan (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.
  
8. Net Position  
In the government-wide financial statements, net position is reported in three categories: net investment in capital assets; restricted net position; and unrestricted net position. Net investment in capital assets is separately reported because the District reports all District assets which make up a significant portion of total net position. Restricted net position account for the portion of net position restricted by parties outside the District. Unrestricted net position is the remaining net position not included in the previous two categories.

HERITAGE ACADEMY, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017

9. Fund Balance Classifications

Fund balances of the governmental funds are reported separately within classifications based on a hierarchy of the constraints placed on the use of those resources. The classifications are based on the relative strength of the constraints that control how the specific amounts can be spent. The classifications are nonspendable, restricted, committed, assigned, and unassigned fund balance classifications.

*Nonspendable* - amounts that cannot be spent because they are either (a) not in a spendable form or (b) are legally or contractually required to be maintained intact.

*Restricted* - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments. Federal grant programs require that funds received be used only for those specific programs and are therefore classified as restricted.

*Committed* - amounts that can be spent only for specific purposes determined by a formal action of the Academy Board which is the highest level of decision-making authority for the Academy. These amounts cannot be used for any other purpose unless the Academy's Board removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed.

*Assigned* - amounts that do not meet the criteria to be classified as restricted nor committed but that are intended to be used for specific purposes. This intent can be expressed by the Academy's Board or Administrator.

*Unassigned* - all other spendable amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Academy considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Academy considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Academy Board has provided otherwise in its commitment or assignment actions.

D) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

E) Inter-fund Transactions

On fund financial statements, inter-fund transactions are reflected as either loans or transfers. Loans are reported as receivables and payables as appropriate, are subject to elimination upon consolidation and are referred to as either "due to/from other funds." Transfers between governmental funds are netted as part of the reconciliation to the government-wide presentation.

F) Subsequent Events

Management has evaluated subsequent events through the date of the independent auditor's report, the date on which financial statements were available to be issued.

**NOTE 2 - DEPOSITS AND INVESTMENTS**

Idaho State statute authorizes the Academy to invest in a number of types of investments, including obligations of the U.S. Treasury, the State of Idaho or county, city or other taxing districts of the State of Idaho, commercial paper, corporate bonds, and repurchase agreements. Current Academy investments are limited to depository accounts.

HERITAGE ACADEMY, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017

The Academy maintains a cash and investment pool that is available for use by all funds. At June 30, 2017, the carrying amount of the pool was \$138,620. A reconciliation of this amount to the amounts in the financial statements is as follows:

Pooled cash, cash equivalents and investments	\$ 72,885
Restricted cash, cash equivalents and investments	65,735
	<u>\$138,620</u>

*Deposits* - For deposits, custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The Academy does not have a formal policy regarding custodial credit risk. At June 30, 2017, the bank balance was \$149,979 which was entirely covered by federal depository insurance.

*Investments* - The Academy had no investments at June 30, 2017.

*Restricted Assets* - The restricted cash balance was restricted for specific uses. Donations made to the Academy which require the proceeds be used to purchase playground equipment were \$4,548; amounts required to be used for student-occupied building maintenance were \$60,435; and Lego League grant funds collected to be used specifically for competitions, registrations, travel, kits, and coach's stipends was \$752.

**NOTE 3 - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2017, was as follows:

	Balance <u>June 30, 2016</u>	Additions	Deletions	Balance <u>June 30, 2017</u>
<b>Governmental Activities:</b>				
Land .....	\$ 75,000	\$ ...	\$ ...	\$ 75,000
Buildings and Improvements .....	277,757	...	...	277,757
Equipment .....	...	...	...	...
Totals at historical cost .....	<u>352,757</u>	<u>...</u>	<u>...</u>	<u>352,757</u>
Less accumulated depreciation for:				
Buildings and Improvements ...	27,775	5,555	...	33,330
Equipment .....	...	...	...	...
Total accumulated depreciation .....	<u>27,775</u>	<u>5,555</u>	<u>...</u>	<u>33,330</u>
Governmental activities capital assets, net .....	<u>\$ 324,982</u>	<u>\$ (5,555)</u>	<u>\$ ...</u>	<u>\$ 319,427</u>

Depreciation expense of \$5,555 was charged to the general government and was not allocated to individual programs or activities.

**NOTE 4 - LONG-TERM LIABILITIES**

Long-term liability activity for the year ended June 30, 2017, was as follows:

	Balance <u>June 30, 2016</u>	Additions	Reductions	Balance <u>June 30, 2017</u>	Amounts Due Within <u>One Year</u>
<b>Governmental Activities</b>					
Loan Payable-Magic Valley					
Christian School .....	\$ 96,672	\$ ...	\$ 48,734	\$ 47,938	\$ 47,938
Future compensated absences .....	2,431	9,703	2,431	9,703	9,703
	<u>\$ 99,103</u>	<u>\$ 9,703</u>	<u>\$ 51,165</u>	<u>\$ 57,641</u>	<u>\$ 57,641</u>

The total interest incurred for the year ended June 30, 2017, was \$5,111 and was charged to expense.

Loan Payable - Magic Valley Christian School:

On July 8, 2011, the Board approved the purchase of the school building for a total of \$350,000. The note is secured by the building and carries an interest rate of 6.5%. Payments are \$4,485 each month with a maturity date of June 1, 2018. The balance of the loan payable at June 30, 2017, was \$47,938.

HERITAGE ACADEMY, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017

Future Compensated Absences:

A liability of \$9,703 has been accrued for employee rights to receive compensation for future absences.

Principal and interest payments due in future fiscal years:

<u>Fiscal Year Ended</u>	<u>Interest Due</u>	<u>Principal Due</u>	<u>Total Payment Due</u>
June 30, 2018	\$ <u>1,578</u>	\$ <u>57,641</u>	\$ <u>59,219</u>

**NOTE 5 - DEFICIT FUND BALANCE**

Funds reporting a deficit fund balance, fund equity, or net position at June 30, 2017, are:

Nonmajor Governmental Funds:		
IDEA Part B - School-Age	\$	166
Title II-A Teacher Quality		442

**NOTE 6 - INTER-FUND RECEIVABLES, PAYABLES AND TRANSFERS**

At June 30, 2017, the composition of inter-fund balances, which resulted from loans made from the General Fund to cover operating cash deficits in other funds, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Title I-A Basic	\$ 5,352
	IDEA Part B School-Age	2,336
	Title II-A Teacher Quality	<u>1,994</u>
		<u>\$ 9,682</u>

During the year ended June 30, 2017, the following amounts were transferred:

<u>Transfer from</u>	<u>Transfer to</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Food Service	\$ 2,549	Required by State law to cover FICA taxes

**NOTE 7 - PENSION PLAN**

*Plan Description*

Heritage Academy, Inc., (Employer) 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.

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.

*Pension Benefits*

The Base Plan provides retirement, disability, death and survivor benefits for 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% of the average monthly salary for the highest consecutive 42 months.

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.

HERITAGE ACADEMY, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017

*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. 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) that are adequate to accumulate sufficient assets to pay benefits when due.

The contribution rates for employees are set by statute at 60% of the employer rate. As of June 30, 2016, it was 6.79%. The employer contribution rate as a percent of covered payroll is set by the Retirement Board and was 11.32%. Contributions of Heritage Academy, Inc., were \$76,979 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, 2017, Heritage Academy, Inc., reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Heritage Academy, Inc.'s proportion of the net pension liability was based on its share of contributions in the Base Plan pension plan relative to the total contributions of all participating PERSI Base Plan employers. At June 30, 2016, Heritage Academy, Inc.'s proportion was .0232512 percent.

For the year ended June 30, 2017, Heritage Academy, Inc., recognized pension expense of \$116,588. At June 30, 2017, Heritage Academy, Inc., reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ ...	\$ 46,965
Changes in assumptions or other inputs	10,477	...
Net difference between projected and actual earnings on pension plan investments	229,410	107,191
Changes in proportionate share percentage from prior year	22,969	...
Heritage Academy, Inc., contributions subsequent to the measurement date	<u>83,180</u>	<u>...</u>
	<u>\$346,036</u>	<u>\$154,156</u>

The \$83,180 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the June 30, 2016, measurement date will be recognized as a reduction of the net pension liability at the June 30, 2017, measurement date.

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, 2015, the beginning of the measurement period ended June 30, 2016, is 4.9 years and 5.5 years for the measurement period ended June 30, 2015.

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 (using the future measurement dates for PERSI):

<b>Year Ended June 30:</b>		
2017	\$	479
2018		479
2019		54,683
2020		30,090

*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

HERITAGE ACADEMY, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017

of payroll. The maximum amortization period for the Base Plan permitted under Section 59-1322, Idaho Code, is 25 years.

The total pension liability in the June 30, 2016, 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 for the period July 1, 2007 through June 30, 2013, 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, 2016, is based on the results of an actuarial valuation dated July 1, 2016.

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 the 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, 2016.

**Capital Market Assumptions**

<b>Asset Class</b>	<b>Expected Return</b>	<b>Expected Risk</b>	<b>Strategic Normal</b>	<b>Strategic Ranges</b>
Equities			70%	66%-77%
Broad Domestic Equity	9.15%	19.00%	55%	50%-65%
International	9.25%	20.20%	15%	10%-20%
Fixed Income	3.05%	3.75%	30%	23%-33%
Cash	2.25%	0.90%	0%	0%-5%
			<b>Expected Real</b>	<b>Expected Risk</b>
<b>Total Fund</b>	<b>Expected Return</b>	<b>Expected Inflation</b>	<b>Return</b>	<b>Risk</b>
Actuary	7.00%	3.25%	3.75%	N/A
Portfolio	6.58%	2.25%	4.33%	12.67%

\*Expected arithmetic return net of fees and expenses



HERITAGE ACADEMY, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017

**Actuarial Assumptions:**

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%
Less Assumed Investment Expenses	<u>0.40%</u>
<b>Long-Term Expected Geometric Rate of Return, Net of Investment Expenses</b>	<b><u>7.10%</u></b>

*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 Employer's proportionate share of the net pension liability to changes in the discount rate*

The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 7.10 percent, as well as what the Employer'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:

	1% Decrease <u>(6.1%)</u>	Current Discount Rate <u>(7.10%)</u>	1% Increase <u>(8.1%)</u>
Employer's proportionate share of the net pension liability (asset)	<u>\$924,597</u>	<u>\$471,338</u>	<u>\$ 94,402</u>

*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).

*Payables to the pension plan*

At June 30, 2017, Heritage Academy, Inc., reported no payables to the defined benefit pension plan for legally required employer contributions or for legally required employee contributions which had been withheld from employee wages but not yet remitted to PERSI.

**NOTE 8 - RISK FROM LOSSES/CONTINGENT LIABILITIES**

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, students and guests; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. There has been no significant change in insurance coverage from the previous fiscal year. Settled claims have not exceeded commercial insurance coverage in any of the last two years.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. 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 a grantor cannot be determined at this time, although the Academy expects such amounts, if any, to be immaterial.

**NOTE 9 - PRIOR PERIOD ADJUSTMENT**

The beginning fund balance for the General Fund and the beginning net position were increased by \$115 due to a prior year outstanding check that was voided in the current fiscal year.

HERITAGE ACADEMY  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
YEAR ENDED JUNE 30, 2017

	<u>Budgeted Amounts</u>		Actual	Variance
	<u>Original</u>	<u>Final</u>	Amounts	With Final
			Budgetary	Budget
				Over
			<u>Basis</u>	<u>(Under)</u>
<u>REVENUE:</u>				
Local revenue	\$ 12,650	\$ 12,650	\$ 22,311	\$ 9,661
Federal assistance	75,000	75,000	17,068	(57,932)
State assistance	1,177,845	1,177,845	1,210,600	32,755
Other	-	-	-	-
Total revenue	<u>1,265,495</u>	<u>1,265,495</u>	<u>1,249,979</u>	<u>(15,516)</u>
<u>EXPENDITURES:</u>				
Salaries	667,243	667,243	661,446	(5,797)
Benefits	218,781	218,781	212,056	(6,725)
Purchased services	269,826	269,826	218,640	(51,186)
Supplies & materials	29,805	29,805	30,217	412
Debt retirement	53,867	53,867	53,845	(22)
Insurance & judgments	8,281	8,281	8,351	70
Total expenditures	<u>1,247,803</u>	<u>1,247,803</u>	<u>1,184,555</u>	<u>(63,248)</u>
<u>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES</u>	<u>17,692</u>	<u>17,692</u>	<u>65,424</u>	<u>47,732</u>
<u>OTHER FINANCING SOURCES (USES):</u>				
Operating transfers in	-	-	-	-
Operating transfers out	(2,401)	(2,401)	(2,549)	(148)
Total other financing sources (uses)	<u>(2,401)</u>	<u>(2,401)</u>	<u>(2,549)</u>	<u>(148)</u>
<u>EXCESS (DEFICIENCY) OF REVENUE AND OTHER</u>				
<u>FINANCING SOURCES OVER EXPENDITURES AND</u>				
<u>OTHER FINANCING USES</u>	<u>\$ 15,291</u>	<u>\$ 15,291</u>	<u>\$ 62,875</u>	<u>\$ 47,584</u>

HERITAGE ACADEMY  
BUDGETARY COMPARISON SCHEDULE  
FOOD SERVICE FUND  
YEAR ENDED JUNE 30, 2017

	<u>Budgeted Amounts</u>		Actual Amounts Budgetary <u>Basis</u>	Variance
	<u>Original</u>	<u>Final</u>		With Final Budget Over <u>(Under)</u>
<u>REVENUE:</u>				
Federal assistance	\$ 95,000	\$ 95,000	\$ 112,892	\$ 17,892
Contributions	2,500	2,500	205	(2,295)
Sale of lunches	1,200	1,200	115	(1,085)
Total revenue	<u>98,700</u>	<u>98,700</u>	<u>113,212</u>	<u>14,512</u>
<u>EXPENDITURES:</u>				
Salaries	30,285	30,285	35,152	4,867
Benefits	13,816	13,816	14,498	682
Purchased services	-	-	1,975	1,975
Supplies & materials	42,400	42,400	64,719	22,319
Capital outlay	-	-	-	-
Total expenditures	<u>86,501</u>	<u>86,501</u>	<u>116,344</u>	<u>29,843</u>
<u>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES</u>	<u>12,199</u>	<u>12,199</u>	<u>(3,132)</u>	<u>(15,331)</u>
<u>OTHER FINANCING SOURCES (USES):</u>				
Operating transfers in	-	-	2,549	2,549
Operating transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>2,549</u>	<u>2,549</u>
<u>EXCESS (DEFICIENCY) OF REVENUE AND OTHER</u>				
<u>FINANCING SOURCES OVER EXPENDITURES AND</u>				
<u>OTHER FINANCING USES</u>	<u>\$ 12,199</u>	<u>\$ 12,199</u>	<u>\$ (583)</u>	<u>\$ (12,782)</u>

HERITAGE ACADEMY, INC.  
SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY  
PERSI - BASE PLAN  
LAST 10 - FISCAL YEARS\*  
JUNE 30, 2017

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Employer's:			
Portion of the net pension liability	0.0232512%	0.0214847%	0.0214146%
Proportionate share of the net pension liability	\$ 471,338	\$ 282,919	\$ 157,645
Covered-employee payroll	\$ 734,809	\$ 601,776	\$ 580,149
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	64.14%	47.01%	27.17%
Plan fiduciary net position as a percentage of the total pension liability	87.26%	91.38%	94.95%

\*GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the Academy will present information for those years for which information is available.

Data reported is measured as of July 1, 2016 (measurement date).

HERITAGE ACADEMY, INC.  
SCHEDULE OF EMPLOYER CONTRIBUTIONS  
PERSI - BASE PLAN  
LAST 10 - FISCAL YEARS\*  
JUNE 30, 2017

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 83,180	\$ 76,979	\$ 68,121
Contributions in relation to the statutorily required contribution	\$ 83,180	\$ 76,979	\$ 68,121
Contribution (deficiency) excess	\$ ...	\$ ...	\$ ...
Employer's covered-employee payroll	\$ 734,809	\$ 680,026	\$ 601,776
Contributions as a percentage of covered-employee payroll	11.32%	11.32%	11.32%

\*GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the Academy will present information for those years for which information is available.

Data reported is measured as of June 30, 2017.

HERITAGE ACADEMY, INC.  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2017

**NOTE 1 - BUDGETARY INFORMATION**

**A) Budgetary-GAAP Reporting Reconciliation**

The accompanying Budgetary Comparison Schedules compare the legally adopted budget with actual data on a budgetary basis. Accounting principles applied for purposes of developing data on the budgetary basis do not differ significantly from those used to present financial statements in conformity with generally accepted accounting principles (GAAP).

**B) Budgetary Policies**

Heritage Academy, Inc., prepares an annual budget of revenue and expenditures prior to the beginning of the fiscal year. The budget is prepared on the modified accrual basis of accounting. Budget figures are based on prior levels of revenue and expenditures taking into account specific items which may be planned in advance by the Academy such as capital outlay expenditures. Any excess of budgeted expenditures over budgeted revenue are temporary situations and are budgeted so as to utilize cash balances in the individual fund.

**C) Budgeted Excess of Expenditures over Revenues**

None of the funds had an excess of budgeted expenditures over budgeted revenues for the year ended June 30, 2017.

**NOTE 2 - PENSION INFORMATION**

**A) Changes of benefit terms**

None to report.

**B) Changes in Composition of the Population Covered by the Benefit Terms**

None to report.

**C) Changes of Assumptions**

None to report.

HERITAGE ACADEMY  
COMBINING BALANCE SHEET-GOVERNMENTAL FUNDS  
JUNE 30, 2017

	Technology Fund	Safe & Drug Free	English Language Program	Title I-A Basic	IDEA Part B - School-Age	Rural Education Achievement Program	Title II-A Teacher Quality	Total
<u>ASSETS:</u>								
Pooled cash and cash equivalents	\$ 9,005	\$ 1,529	\$ 691	\$ -	\$ -	\$ -	\$ -	\$ 11,225
Other receivable	-	-	-	11,544	4,838	-	4,391	20,773
Prepaid expenses	-	-	-	-	-	-	-	-
	<u>\$ 9,005</u>	<u>\$ 1,529</u>	<u>\$ 691</u>	<u>\$ 11,544</u>	<u>\$ 4,838</u>	<u>\$ -</u>	<u>\$ 4,391</u>	<u>\$ 31,998</u>
<u>LIABILITIES:</u>								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Salaries and benefits payable	-	-	463	6,192	2,502	-	2,397	11,554
Due to other funds	-	-	-	5,352	2,336	-	1,994	9,682
	<u>-</u>	<u>-</u>	<u>463</u>	<u>11,544</u>	<u>4,838</u>	<u>-</u>	<u>4,391</u>	<u>21,236</u>
<u>DEFERRED INFLOWS OF RESOURCES:</u>								
Unavailable revenue - Federal grants	-	-	-	-	166	-	442	608
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>166</u>	<u>-</u>	<u>442</u>	<u>608</u>
<u>FUND BALANCES:</u>								
Nonspendable:								
Prepaid expenses	-	-	-	-	-	-	-	-
Restricted for:								
State Programs	9,005	1,529	228	-	-	-	-	10,762
Federal Programs	-	-	-	-	(166)	-	(442)	(608)
<u>TOTAL FUND BALANCES</u>	<u>9,005</u>	<u>1,529</u>	<u>228</u>	<u>-</u>	<u>(166)</u>	<u>-</u>	<u>(442)</u>	<u>10,154</u>
<u>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</u>	<u>\$ 9,005</u>	<u>\$ 1,529</u>	<u>\$ 691</u>	<u>\$ 11,544</u>	<u>\$ 4,838</u>	<u>\$ -</u>	<u>\$ 4,391</u>	<u>\$ 31,998</u>

HERITAGE ACADEMY  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2017

	Technology	Safe & Drug Free	English Language Program	Title I-A Basic	IDEA Part B - School-Age	Rural Education Achievement Program	Title II-A Teacher Quality	Total
<u>REVENUE:</u>								
Federal assistance	\$ -	\$ -	\$ -	\$ 77,670	\$ 29,364	\$ 1,800	\$ 25,784	\$ 134,618
State assistance	35,286	4,179	3,160	-	-	-	-	42,625
Other local revenue	-	-	-	-	-	-	-	-
Total revenue	<u>35,286</u>	<u>4,179</u>	<u>3,160</u>	<u>77,670</u>	<u>29,364</u>	<u>1,800</u>	<u>25,784</u>	<u>177,243</u>
<u>EXPENDITURES:</u>								
Instruction - salaries and benefits	-	1,282	2,776	64,781	27,828	-	23,937	120,604
Instruction - other	33,300	2,470	156	12,889	1,702	1,800	-	52,317
Support services	-	-	-	-	-	-	-	-
Total expenditures	<u>33,300</u>	<u>3,752</u>	<u>2,932</u>	<u>77,670</u>	<u>29,530</u>	<u>1,800</u>	<u>23,937</u>	<u>172,921</u>
<u>EXCESS (DEFICIENCY) OF REVENUE</u>								
<u>OVER EXPENDITURES</u>	<u>1,986</u>	<u>427</u>	<u>228</u>	<u>-</u>	<u>(166)</u>	<u>-</u>	<u>1,847</u>	<u>4,322</u>
<u>OTHER FINANCING SOURCES (USES):</u>								
Operating transfers in	-	-	-	-	-	-	-	-
Operating transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>EXCESS (DEFICIENCY) OF REVENUE AND OTHER</u>								
<u>FINANCING SOURCES OVER EXPENDITURES AND</u>								
<u>OTHER FINANCING USES</u>	<u>1,986</u>	<u>427</u>	<u>228</u>	<u>-</u>	<u>(166)</u>	<u>-</u>	<u>1,847</u>	<u>4,322</u>
<u>FUND BALANCE JULY 1, 2016</u>	<u>7,019</u>	<u>1,102</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,289)</u>	<u>5,832</u>
<u>FUND BALANCE JUNE 30, 2017</u>	<u>\$ 9,005</u>	<u>\$ 1,529</u>	<u>\$ 228</u>	<u>\$ -</u>	<u>\$ (166)</u>	<u>\$ -</u>	<u>\$ (442)</u>	<u>\$ 10,154</u>



HERITAGE ACADEMY, INC.  
SCHEDULE OF APPORTIONMENT - FOUNDATION PROGRAM  
YEAR ENDED JUNE 30, 2017

Balance June 30, 2016 .....	\$ 25,947
2016-17 Program .....	1,071,876
2016-17 Receipts .....	(998,337)
Balance June 30, 2017 .....	<u>\$ 99,486</u>

COMPARATIVE STATE APPORTIONMENT DATA

Fiscal	
<u>Year</u>	
2017 .....	\$ 1,071,876
2016 .....	999,980
2015 .....	965,062
2014 .....	909,087
2013 .....	718,459
2012 .....	635,042

HERITAGE ACADEMY, INC.  
SCHEDULE OF GENERAL REVENUES BY SOURCE

<u>Year Ended June 30:</u>	<u>State Foundation Program</u>	<u>Other State Assistance</u>	<u>Federal Assistance</u>	<u>Interest on Investments</u>	<u>Sale of Lunches</u>	<u>Other</u>
2017 .....	\$1,071,876	\$181,349	\$ 264,578	\$ 277	\$ 115	\$22,239
2016 .....	999,980	115,456	277,224	268	1,035	14,919
2015 .....	965,062	96,095	273,523	201	1,508	28,374
2014 .....	909,087	55,772	166,406	135	10,406	22,122
2013 .....	718,459	36,728	143,351	226	8,989	21,470
2012 .....	635,042	4,792	181,813	346	14,125	2,754

HERITAGE ACADEMY, INC.  
SCHEDULE OF GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION

<u>Year Ended June 30:</u>	<u>Instruction</u>	<u>Support Services</u>	<u>Non- Instructional Services</u>	<u>Debt Service &amp; Retirement</u>	<u>Other Capital Outlay</u>
2017 .....	\$ 898,665	\$ 270,640	\$ 250,670	\$ 53,845	\$ ...
2016 .....	769,120	330,741	235,486	54,333	...
2015 .....	747,891	287,627	213,212	53,999	...
2014 .....	739,683	202,942	187,920	51,602	...
2013 .....	569,869	175,043	175,888	78,024	...
2012 .....	469,756	214,724	226,835	84,500	...

# Rexroat, Harberd & Assoc., P.A.

## Certified Public Accountants

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Telephone 208-324-2391 Fax 208-324-8266

October 11, 2017

Independent Auditors' 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 Trustees  
Heritage Academy, Inc.  
Jerome, Idaho 83338

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 Heritage Academy, Inc., (Academy) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated October 11, 2017.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Academy'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 internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the 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 Academy'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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rexroat, Harberd & Assoc., P.A.