

HERITAGE COMMUNITY CHARTER SCHOOL, INC.

Report on Audited
Basic
Financial Statements
and
Additional Information

For the Year Ended June 30, 2017

Table of Contents

	<u>Page</u>
Title Page	3
Independent Auditor's Report	4
 BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements:	
Statement of Net Position	7
Statement of Activities	8
Fund Financial Statements:	
Balance Sheet – Governmental Funds	9
Reconciliation of the Balance Sheet of the Governmental Funds to the Statement of Net Position	10
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	11
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of the Governmental Funds to the Statement of Activities	12
Statement of Fiduciary Net Position	13
Notes to Financial Statements	14
 REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary (GAAP Basis) Comparison Schedule:	
General	27
Notes to Required Supplementary Information	28
Schedule of the Charter's Proportionate Share of the Net Pension Liability	29
Schedule of Charter Contributions	30

SUPPLEMENTAL INFORMATION

Combining Balance Sheet – Nonmajor Special Revenue Funds	31
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Special Revenue Funds	33

FEDERAL REPORTS

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 <i>Governmental Auditing Standards</i>	35
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Heritage Community Charter School, Inc.

Title Page

Board of Trustees

Josh Gregory	Chairman
Tamara Strikwerda	Vice Chairman
Sheri Blaidsell	Secretary
Robb MacDonald	Treasurer
Richard Hammond	Director
TJ Frans	Director
Martin Flaherty	Director

Administrators

Javier Castaneda	Executive Director
Marc Carignan	Business Manager



Millington Zwygart

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

To the Board of Directors
Heritage Community Charter School, Inc.
Caldwell, Idaho

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 Community Charter School, Inc. (the Charter), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Charter'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 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.

Basis for Qualified Opinion on Governmental Activities

Management has not performed the actuarial calculations for other post-employment benefits for the governmental activities and, accordingly, has not considered the Charter's other post-employment benefit liability. 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 assets, increase liabilities, and increase expenses in the governmental activities. The amount by which this departure would affect net assets, liabilities, and expenses in the governmental activities is not reasonably determinable.

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 above present fairly, in all material respects, the respective financial position of the governmental activities of Heritage Community Charter School, 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.

Unmodified Opinion

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 Heritage Community Charter School, 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, schedule of the Charter's proportionate share of the net pension liability, and schedule of Charter contributions on pages 27 to 30 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 the management's discussion and analysis that accounting principles generally accepted in the United State of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, 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 Heritage Community School, Inc.'s basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining 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 to 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 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 28, 2017, on our consideration the Charter's internal control over financial reporting and 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 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 Charter's internal control over financial reporting and compliance.

Millington Zwyzart CPAs, PLLC

Caldwell, Idaho
August 28, 2017

Heritage Community Charter School, Inc.
Statement of Net Position
June 30, 2017

	<u>Governmental Activities</u>
Assets	
Cash and Cash Equivalents	\$ 703,329
Receivables, Net:	
Intergovernmental	292,150
Capital Assets:	
Equipment, Net	12,008
Total Capital Assets	<u>12,008</u>
Total Assets	<u><u>1,007,487</u></u>
 Deferred Outflows	
Pension Related Items	<u>601,810</u>
Total Deferred Outflows	<u><u>601,810</u></u>
 Liabilities	
Current Liabilities:	
Accounts Payable	95,720
Salaries and Benefits Payable	<u>212,561</u>
Total Current	<u>308,281</u>
Non-current Liabilities:	
Net Pension Liability	<u>875,714</u>
Total Non-current Liabilities	<u>875,714</u>
Total Liabilities	<u><u>1,183,995</u></u>
 Deferred Inflows	
Pension Related Items	<u>286,412</u>
Total Deferred Inflows	<u><u>286,412</u></u>
 Net Position	
Invested in Capital Assets, Net of Related Debt	12,008
Restricted for Special Revenue	61,826
Unrestricted Surplus (Deficit)	<u>65,056</u>
Total Net Position	<u><u>\$ 138,890</u></u>

The accompanying notes are an integral
part of the financial statements.

Heritage Community Charter School, Inc.
Statement of Activities
For the Year Ended June 30,2017

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position - Governmental Activities
		Charges for Services and Sales	Operating Grants and Contribution s	Capital Grants and Contribution s	
Primary Government:					
Governmental Activities:					
Instruction	\$ 1,658,469	\$ -	\$ 197,100	\$ -	\$ (1,461,369)
Support Services	1,273,364	-	-	-	(1,273,364)
Food Services	213,591	37,099	-	-	(176,492)
Total Governmental Activities	\$ 3,145,424	\$ 37,099	\$ 197,100	\$ -	(2,911,225)

General Revenues:	
State Sources	3,280,523
Earnings on Investments	925
Total General Revenues and Special Items	<u>3,281,448</u>
Change in Net Position	370,223
Net Position, Beginning	<u>(231,333)</u>
Net Position, End of Year	<u>\$ 138,890</u>

The accompanying notes are an integral
part of the financial statements.

Heritage Community Charter School, Inc.

Balance Sheet -
Governmental Funds
June 30, 2017

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Cash and Cash Equivalents	\$ 635,284	\$ 68,045	\$ 703,329
Receivables, Net:			
Intergovernmental	107,677	184,473	292,150
Internal Balances	116,220	-	116,220
Total Assets	<u>\$ 859,181</u>	<u>\$ 252,518</u>	<u>\$ 1,111,699</u>
 Total Assets	 <u>\$ 859,181</u>	 <u>\$ 252,518</u>	 <u>\$ 1,111,699</u>
Liabilities and Fund Balances			
Liabilities:			
Internal Balances	\$ -	\$ 116,220	\$ 116,220
Accounts Payable	68,193	27,527	95,720
Salaries and Benefits Payable	165,615	46,946	212,561
Total Liabilities	<u>233,808</u>	<u>190,693</u>	<u>424,501</u>
Fund Balances:			
Nonspendable	-	-	-
Restricted	-	61,826	61,826
Unassigned	625,373	(1)	625,372
Total Fund Balances	<u>625,373</u>	<u>61,825</u>	<u>687,198</u>
Total Liabilities and Fund Balances	<u>\$ 859,181</u>	<u>\$ 252,518</u>	<u>\$ 1,111,699</u>

The accompanying notes are an integral
part of the financial statements.

Heritage Community Charter School, Inc.
 Reconciliation of the Balance Sheet of the Governmental Funds
 to the Statement of Net Position
 June 30, 2017

Total Fund Balances - Governmental Funds	\$ 687,198
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Amounts reported for governmental activities in the Statement of Net Position are different because of the following:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.

Those assets consist of:

Equipment, Net of \$18,143 Accum. Depreciation	12,008
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The District participates in the Public Employer Retirement System of Idaho, which is a cost-sharing plan. As a participant they are required to report their share of the Net Pension Liability and the related deferred inflows and outflows on their Statement of Net Position.

Net Pension Liability	\$ (875,714)	
Pension Related Deferred Inflows	(286,412)	
Pension Related Deferred Outflows	<u>601,810</u>	
		<u>(560,316)</u>

Total Net Position-Governmental Activities	<u><u>\$ 138,890</u></u>
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The accompanying notes are an integral
 part of the financial statements.

Heritage Community Charter School, Inc.
Statement of Revenues, Expenditures, and
Changes in Fund Balances -
Governmental Funds
For the Year Ended June 30,2017

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
State Sources	\$ 2,865,122	\$ 425,756	\$ 3,290,878
Grants and Contributions	2,497	184,248	186,745
Earnings on Investment	925	-	925
Other	-	37,099	37,099
Total Revenues	<u>2,868,544</u>	<u>647,103</u>	<u>3,515,647</u>
Expenditures			
Current:			
Instruction	1,328,582	330,919	1,659,501
Support Services	1,199,543	86,890	1,286,433
Food Service	-	213,591	213,591
Total Expenditures	<u>2,528,125</u>	<u>631,400</u>	<u>3,159,525</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>340,419</u>	<u>15,703</u>	<u>356,122</u>
Other Financing Sources (Uses)			
Transfer In	-	58	58
Transfer Out	(58)	-	(58)
Total Other Financing Sources (Uses)	<u>(58)</u>	<u>58</u>	<u>-</u>
Net Change in Fund Balances	340,361	15,761	356,122
Fund Balances - Beginning	285,012	46,064	331,076
Fund Balances - Ending	<u>\$ 625,373</u>	<u>\$ 61,825</u>	<u>\$ 687,198</u>

The accompanying notes are an integral
part of the financial statements.

Heritage Community Charter School, Inc.
 Reconciliation of the Statement of Revenues,
 Expenditures, and Changes in Fund Balances of the
 Governmental Funds to the Statement of Activities
 For the Year Ended June 30,2017

Total Net Change in Fund Balance - Governmental Funds \$ 356,122

Amounts reported for governmental activities in the Statement of Activities are different because of the following:

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their useful lives as depreciation expense. In the current period, these amounts are:

Capital Outlay	\$ 8,977	
Depreciation	<u>(3,595)</u>	
		5,382

The District participates in the Public Employer Retirement System of Idaho, which is a cost-sharing plan. As a participant they are required to report their share of the Net Pension Liability and the related deferred inflows and outflows on their Statement of Net Position. The changes in the Net Pension Liability and the related deferred inflows and outflows does not affect the governmental funds, but are reported in the Statement of Activities.

8,719

Change in Net Position of Governmental Activities \$ 370,223

The accompanying notes are an integral
 part of the financial statements.

Heritage Community Charter School, Inc.
Statement of Fiduciary Net Position
June 30, 2017

Assets

Cash and Cash Equivalents	\$ 18,322
Total Assets	<u>18,322</u>

Liabilities

Due to Student Groups	<u>18,322</u>
Total Liabilities	<u>18,322</u>

Net Position	<u><u>\$ -</u></u>
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The accompanying notes are an integral
part of the financial statements.

Heritage Community Charter School, Inc.
Notes to Financial Statements
For the Year Ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Heritage Community Charter School, Inc. (the Charter) was organized on March 18, 2011, and is governed by a Board of Directors, which has responsibility and control over all activities related to public school education within the Charter. The accompanying financial statements present the activities of the Charter. The Charter receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the Charter is not included in any other governmental reporting entity as defined by generally accepted accounting principles. Board members have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the Charter's reporting entity does not contain any component units as defined in Governmental Accounting Standards.

B. Basis of Presentation, Basis of Accounting

Basis of Presentation

Government-wide Statements: The Statement of Net Position and the Statement of Activities display information about the financial activities of the Charter. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through intergovernmental revenues and other nonexchange transactions.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Charter's governmental activities.

- Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function.
- Indirect expenses—expenses of the general government related to the administration and support of the Charter's programs, such as personnel and accounting (but not interest on long-term debt)—are allocated to programs based on their percentage of total primary government expenses. Interest expenses are allocated to the programs that manage the capital assets financed with long-term debt.
- Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all state formula aid, are presented as general revenues.

Heritage Community Charter School, Inc.

Notes to Financial Statements
For the Year Ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Financial Statements: The fund financial statements provide information about the Charter's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The Charter reports the following major governmental funds:

- *General fund.* This is the Charter's primary operating fund. It accounts for all financial resources of the Charter, except those required to be accounted for in another fund.

Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Charter receives value without directly giving equal value in return, include grants and donations. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Charter considers all revenues reported in the governmental funds to be available if they are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, and claims and judgments, which are recognized as expenditures to the extent they have matured.

General capital asset acquisitions are reported as expenditures in governmental funds. Transfers, proceeds of general long-term liabilities, and acquisitions under capital leases are reported under other financing sources and uses.

Heritage Community Charter School, Inc.

Notes to Financial Statements
For the Year Ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Balance Reporting and Governmental Funds

Different measurement focuses and bases of accounting are used in the government-wide Statement of Net Position and in the governmental fund Balance Sheet.

The Charter uses the following fund balance categories in the governmental fund Balance Sheet:

- *Nonspendable*. Balances, for example, in permanent funds, prepaid expenditures, and inventories that are permanently precluded from conversion to cash.
- *Restricted*. Balances constrained to a specific purpose by enabling legislation, external parties, or constitutional provisions.
- *Unassigned*. Balances available for any purpose.

The remaining fund balance classifications (committed and assigned) are either not applicable or no formal policy has yet been established to be able to utilize such classifications of fund balance. However, if there had been committed funds, these amounts would have been decided by the Board of Directors, the Charter's highest level of decision making authority, through a formal action. The Board of Directors would also have the authority to assign funds or authorize another official to do so.

Under the terms of grant agreements, the Charter funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position or fund balance available to finance the program. When both restricted and unrestricted resources are available for use, it is the Charter's intent to use restricted resources first, then unrestricted resources as they are needed.

There is also no formal policy regarding the use of committed, assigned, or unassigned fund balances. However, it is the Charter's intent that when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance could be used, the Charter considers committed amounts to be reduced first, followed by assigned amounts, and then unassigned amounts.

All special revenue funds are restricted by private outside parties, the federal government, or the State of Idaho and must be spent according to the stipulations of the private outside party or the corresponding federal or state program.

Heritage Community Charter School, Inc.

Notes to Financial Statements
For the Year Ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Assets and Liabilities

Cash Equivalents

The Charter requires all cash belonging to the Charter to be placed in custody of the Clerk/Business Manager. A "Pooled Cash" concept is therefore used in maintaining the cash and investment accounts in the accounting records. Under this method, all cash is pooled for investment purposes and each fund has equity in the pooled amount. The Charter considers all highly liquid investments with an original maturity date of three months or less to be cash equivalents. See Note 2.

Receivables

All trade and intergovernmental receivables are shown net of an allowance for uncollectible. The Charter believes all receivables are collectible, thus no allowance has been established.

Capital Assets

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed assets are reported at estimated fair value at the time received.

Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements are shown below.

	<u>Capitalization</u> <u>Policy</u>	<u>Depreciation</u> <u>Method</u>	<u>Estimated</u> <u>Useful Life</u>
Equipment	\$ 4,000	Straight-line	2-10 years

An exception to the capitalization threshold includes assets acquired with debt. All of these assets are to be capitalized, regardless of cost.

Depreciation is used to allocate the actual or estimated historical cost of all capital assets over their estimated useful lives.

The Charter has no infrastructure to report.

Heritage Community Charter School, Inc.

Notes to Financial Statements
For the Year Ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Compensated Absences

The Charter provides sick leave and personal leave to the full-time certified employees. The estimated amount of compensation for further amounts is believed to be immaterial and accordingly no liability has been recorded.

Accounts Payable

Accounts payable represent debts that will be paid in the next billing cycle. Accounts payable are not over 60 days past due.

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.

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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. CASH

Deposits

As of June 30, 2017, the carrying amount of the Charter's deposits was \$721,502 and the respective bank balances totaled \$724,154. \$250,000 of the bank balance was insured or collateralized with pooled securities held by the pledging institution in the name of the Charter.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Charter's deposits may not be returned. As of June 30, 2017, \$474,154 of the Charter's deposits were not covered by federal depository insurance or by collateral held by the Charter's agent or

Heritage Community Charter School, Inc.

Notes to Financial Statements
For the Year Ended June 30, 2017

2. CASH (continued)

pledging financial institution's trust department or agent in the name of the Charter, and thus were exposed to custodial credit risk. The Charter does not have a formal policy limiting its exposure to custodial credit risk. The Charter also keeps \$150 petty cash on hand.

Investments

The Charter follows Idaho Statute that outlines qualifying investment options as follows:

Idaho Code authorizes the Charter to invest any available funds in obligations issued or guaranteed by the United States Treasury, the State of Idaho, local Idaho municipalities and taxing districts, the Farm Credit System, or Idaho public corporations, as well as time deposit accounts and repurchase agreements.

However, the Charter did not have any investments as of June 30, 2017.

At year-end, the cash accounts were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and Cash Equivalents	<u>\$ 703,329</u>	<u>\$ 18,322</u>	<u>\$ 721,651</u>

3. CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Charter expects such amounts, if any, to be immaterial.

4. RISK MANAGEMENT

The Charter is exposed to a considerable number of risks of loss including, but not limited to, a) damage to and loss of property and contents, b) employee torts, c) professional liabilities, i.e. errors and omissions, d) environmental damage, and e) worker's compensation, i.e. employee injuries. Commercial insurance policies are purchased to transfer the risk of loss for property and content damage, employee torts, and professional liabilities.

Heritage Community Charter School, Inc.

Notes to Financial Statements
For the Year Ended June 30, 2017

5. CAPITAL ASSETS

Capital asset activity for the year was as follows:

	Balance 6/30/2016	Additions	Disposals	Balance 6/30/2017
<u>Governmental Activities:</u>				
Capital Assets Being Depreciated				
Equipment	\$ 21,174	\$ 8,977	\$ -	\$ 30,151
Total Historical Cost	21,174	8,977	-	30,151
Less: Accumulated Depreciation				
Equipment	14,548	3,595	-	18,143
Total Acc. Depr.	14,548	3,595	-	18,143
<u>Governmental Activities</u>				
Capital Assets - Net	\$ 6,626	\$ 5,382	\$ -	\$ 12,008

Depreciation expense was charged to the functions of the Charter as follows:

<u>Governmental Activities:</u>	
Support Services	\$ 3,595

6. LEASE COMMITMENTS

The Charter has operating leases for two copiers and for a building. None of the leases allow any subletting or assignments without prior written consent from the lessor. The only exception for the building lease is that a portion of the building may be sublet for the operation of a privately funded pre-kindergarten. The building may be purchased at fair market value at any time during the term of the lease. The copiers may be purchased at fair market value at the end of the lease terms. All leases require monthly payments. Month-to-month payments may continue at the end of the lease terms for the copiers and there is a five year lease extension available at the end of the building lease.

Heritage Community Charter School, Inc.

Notes to Financial Statements
For the Year Ended June 30, 2017

6. LEASE COMMITMENTS (continued)

Future minimum lease payments are as follows:

Year Ended June 30,	Amount
2018	\$ 435,164
2019	583,790
2020	587,312
2021	590,964
2022	599,828
2023-2027	3,136,831
2028-2032	3,379,258
2033-2036	2,890,497
	<u>\$ 12,203,644</u>

Rent expenditures for the year ended June 30, 2017 totaled \$444,187.

7. INTERNAL BALANCES

\$116,220 is due to the General fund from nonmajor funds representing a cash overdraft.

8. TRANSFERS TO/FROM OTHER FUNDS

From the General fund to nonmajor governmental
\$ (58) funds for reimbursement of operating expenses.

9. INTERGOVERNMENTAL RECEIVABLES

Amounts due from other governments consist of \$107,677, as a reimbursement from the State of Idaho for school support and \$184,473 due from the federal government and passed through the state as a reimbursement for various federal programs.

10. PENSION PLAN

Plan Description

Heritage Community Charter 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

Heritage Community Charter School, Inc.

Notes to Financial Statements For the Year Ended June 30, 2017

9. PENSION PLAN (continued)

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.

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.

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.

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, 2016 it was 6.79% for general employees and 8.36% for police and firefighters. The employer contribution rate as a percentage of covered payroll is set by the Retirement Board and was 11.32% general employees and 11.66% for police and firefighters. Heritage Community Charter School's contributions were \$156,115 the year ended June 30, 2017.

Heritage Community Charter School, Inc.

Notes to Financial Statements
For the Year Ended June 30, 2017

9. PENSION PLAN (continued)

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

At June 30, 2017, Heritage Community Charter School reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Heritage Community Charter School's proportion of the net pension liability was based on Heritage Community Charter School's 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 Community Charter School's proportion was 0.0431992 percent.

For the year ended June 30, 2017, Heritage Community Charter School recognized pension expense (revenue) of \$153,740. At June 30, 2017, Heritage Community Charter School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual	\$ -	\$ 87,258
Changes in assumptions or other inputs	19,467	-
Net difference between projected and actual earnings on pension plan investments	426,228	199,154
Heritage Community Charter School's contributions subsequent to the measurement date	156,115	-
Total	\$ 601,810	\$ 286,412

\$156,115 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability 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, 2015, the beginning of the measurement period ended June 30, 2016 is 4.9 and 5.5 years for the measurement period 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:

Heritage Community Charter School, Inc.

Notes to Financial Statements
For the Year Ended June 30, 2017

9. PENSION PLAN (continued)

For the Year Ended June 30:	PERSI
2018	157,005
2019	890
2020	101,598
2021	55,905

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.

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 expense
Cost-of-living	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 date of 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

Heritage Community Charter School, Inc.

Notes to Financial Statements
For the Year Ended June 30, 2017

9. PENSION PLAN (continued)

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, 2016.

Asset Class	Expected Return	Expected Risk	Strategic Normal	Strategic Ranges
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%	90.00%	0%	0% - 5%
Total Fund	Expected Return	Expected Inflation	Expected Real Return	Expected Risk
Actuary	7.00%	3.25%	3.75%	N/A
Portfolio	6.58%	2.25%	4.33%	12.67%
Assumed Inflation - Mean				3.25%
Assumed Inflation - Standard Deviation				
Portfolio Arithmetic Mean Return				2.00%
Portfolio Standard Deviation				8.42%
Portfolio Long-Term Expected Geometric Rate of Return				7.50%
Assumed Investment Expenses				0.40%
Long-Term Expected Geometric Rate of Return, Net of Investment Expenses				7.10%

* Expected arithmetic return net of fess and expenses

Heritage Community Charter School, Inc.

Notes to Financial Statements
For the Year Ended June 30, 2017

9. PENSION PLAN (continued)

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	Current Discount Rate	1% Increase
Employer's proportionate share of the net pension liability (asset)	\$ 1,717,840	\$ 875,714	\$ 175,393

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.

10. OTHER COMMITMENTS

The Charter has credit cards with a credit limit of \$22,500 total. \$5,860 of the credit was available for use as of June 30, 2017.

REQUIRED SUPPLEMENTARY INFORMATION

Heritage Community Charter School, Inc.
 Budgetary (GAAP Basis) Comparison Schedule
 General
 For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
State Sources	\$ 2,909,174	\$ 2,909,174	\$ 2,865,122	\$ (44,052)
Grants and Contributions	500	500	2,497	1,997
Earnings on Investment	300	300	925	625
Total Revenues	<u>2,909,974</u>	<u>2,909,974</u>	<u>2,868,544</u>	<u>(41,430)</u>
Expenditures				
Current:				
Instruction	1,454,044	1,454,044	1,328,582	125,462
Support Services	1,238,798	1,238,798	1,199,543	39,255
Food Service	-	-	-	-
Contingency Reserve	-	-	-	-
Total Expenditures	<u>2,692,842</u>	<u>2,692,842</u>	<u>2,528,125</u>	<u>164,717</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>217,132</u>	<u>217,132</u>	<u>340,419</u>	<u>123,287</u>
Other Financing Sources (Uses)				
Transfers In	-	-	-	-
Transfers Out	-	-	(58)	(58)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(58)</u>	<u>(58)</u>
Net Change in Fund Balances	217,132	217,132	340,361	123,229
Fund Balances - Beginning	-	-	285,012	285,012
Fund Balances - Ending	<u>\$ 217,132</u>	<u>\$ 217,132</u>	<u>\$ 625,373</u>	<u>\$ 408,241</u>

Heritage Community Charter School, Inc.
Notes to Required Supplementary Information
For the Year Ended June 30, 2017

1. BUDGETS AND BUDGETARY ACCOUNTING

The Charter follows these procedures in establishing the budgetary data reflected in the financial statements in future years:

- A. Prior to June 1, the Executive Director and the Board of Directors prepare a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- B. Public hearings are conducted to obtain taxpayer comments.
- C. Prior to July 1, the budget is legally enacted through passage at a board meeting.
- D. Formal budgetary integration is employed as a management control device during the year for all the funds.
- E. Budgets for the governmental funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).
- F. Budgeted amounts are as originally adopted, or amended by the Board of Directors.

Heritage Community Charter School, Inc.
Schedule of the Charter's Proportionate Share of the
Net Pension Liability

Public Employees Retirement System of Idaho

Last 10 - Fiscal Years*

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Charter proportion of the net pension liability (asset)	4.3199200%	0.0436084%	0.0431586%
Charter's proportionate share of the net pension liability (asset)	\$ 875,714	\$ 574,252	\$ 317,715
Charter's covered-employee payroll	\$ 1,379,110	\$ 1,266,462	\$ 1,221,460
Charter's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	63.50%	45.34%	26.01%
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, Heritage Community Charter School, Inc. will present information for those years for which information is available.

Data reported is measured as of June 30, 2016

Heritage Community Charter School, Inc.
Schedule of Charter Contributions

Public Employees Retirement System of Idaho

Last 10 - Fiscal Years*

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 156,115	\$ 143,364	\$ 138,269
Contributions in relation to the contractually required contribution	<u>156,115</u>	<u>143,364</u>	<u>138,269</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Charter's covered-employee payroll	\$ 1,379,110	\$ 1,266,462	\$ 1,221,460
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, Heritage Community Charter School, Inc. will present information for those years for which information is available.

Data reported is measured as of June 30, 2017

SUPPLEMENTAL INFORMATION

Heritage Community Charter School, Inc.
Combining Balance Sheet - Nonmajor Special Revenue Funds
June 30, 2017

	<u>Lunaria League</u>	<u>Khan Grant</u>	<u>Technology</u>	<u>Drug Free</u>	<u>Title I</u>
Assets					
Cash	\$ 4,524	\$ -	\$ 25,546	\$ 12,190	\$ -
Receivables, Net: Intergovernmental	-	-	-	-	57,412
Total Assets	<u>\$ 4,524</u>	<u>\$ -</u>	<u>\$ 25,546</u>	<u>\$ 12,190</u>	<u>\$ 57,412</u>
Liabilities					
Internal Balances	\$ -	\$ -	\$ -	\$ -	\$ 37,201
Accounts Payable	-	-	213	-	-
Salaries Payable	-	-	-	-	20,211
Total Liabilities	<u>-</u>	<u>-</u>	<u>213</u>	<u>-</u>	<u>57,412</u>
Fund Balance					
Restricted	4,524	-	25,333	12,190	-
Unassigned	-	-	-	-	-
Total Fund Balances	<u>4,524</u>	<u>-</u>	<u>25,333</u>	<u>12,190</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 4,524</u>	<u>\$ -</u>	<u>\$ 25,546</u>	<u>\$ 12,190</u>	<u>\$ 57,412</u>

Heritage Community Charter School, Inc.
Combining Balance Sheet - Nonmajor Special Revenue Funds (continued)
June 30, 2017

	Title VI-B	Title III	Teacher Improvement	Food Service	Total
Assets					
Cash	\$ -	\$ -	\$ -	\$ 25,785	\$ 68,045
Receivables, Net: Intergovernmental	101,747	1,116	24,198	-	184,473
Total Assets	\$ 101,747	\$ 1,116	\$ 24,198	\$ 25,785	\$ 252,518
Liabilities					
Internal Balances	\$ 56,162	\$ 1,116	\$ 21,741	\$ -	\$ 116,220
Accounts Payable	27,314	-	-	-	27,527
Salaries Payable	18,272	-	2,456	6,007	46,946
Total Liabilities	101,748	1,116	24,197	6,007	190,693
Fund Balance					
Restricted	-	-	1	19,778	61,826
Unassigned	(1)	-	-	-	(1)
Total Fund Balances	(1)	-	1	19,778	61,825
Total Liabilities and Fund Balances	\$ 101,747	\$ 1,116	\$ 24,198	\$ 25,785	\$ 252,518

Heritage Community Charter School, Inc.
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended June 30,2017

	Lunaria League	Khan Grant	Technology	Drug Free	Title I
Revenues					
State Sources	\$ -	\$ -	\$ 56,154	\$ 8,696	\$ 186,249
Grants and Contributions	-	-	-	-	-
Other	-	-	-	-	-
Total Revenues	<u>-</u>	<u>-</u>	<u>56,154</u>	<u>8,696</u>	<u>186,249</u>
Expenditures					
Current:					
Instruction					
Salaries	-	-	-	-	139,028
Services	655	-	25,457	1,698	17,290
Supplies	390	-	-	4,091	29,931
Total Instruction	<u>1,045</u>	<u>-</u>	<u>25,457</u>	<u>5,789</u>	<u>186,249</u>
Support Services					
Salaries	-	-	5,000	-	-
Services	-	-	-	-	-
Supplies	-	-	19,612	-	-
Total Support Services	<u>-</u>	<u>-</u>	<u>24,612</u>	<u>-</u>	<u>-</u>
Food Service					
Salaries	-	-	-	-	-
Services	-	-	-	-	-
Supplies	-	-	-	-	-
Total Food Service	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>1,045</u>	<u>-</u>	<u>50,069</u>	<u>5,789</u>	<u>186,249</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,045)</u>	<u>-</u>	<u>6,085</u>	<u>2,907</u>	<u>-</u>
Other Financing Sources (Uses)					
Transfers In	-	-	-	-	-
Transfers Out	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(1,045)	-	6,085	2,907	-
Fund Balances - Beginning	5,569	-	19,248	9,283	-
Fund Balances - Ending	<u>\$ 4,524</u>	<u>\$ -</u>	<u>\$ 25,333</u>	<u>\$ 12,190</u>	<u>\$ -</u>

Heritage Community Charter School, Inc.
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds (continued)
For the Year Ended June 30,2017

	Title VI-B	Title III	Teacher Improvement	Food Service	Total
Revenues					
State Sources	\$ 102,023	\$ 10,355	\$ 62,279	\$ -	\$ 425,756
Grants and Contributions	-	-	-	184,248	184,248
Other	-	-	-	37,099	37,099
Total Revenues	<u>102,023</u>	<u>10,355</u>	<u>62,279</u>	<u>221,347</u>	<u>647,103</u>
Expenditures					
Current:					
Instruction					
Salaries	64,474	3,027	-	-	206,529
Services	9,600	6,500	-	-	61,200
Supplies	27,950	828	-	-	63,190
Total Instruction	<u>102,024</u>	<u>10,355</u>	<u>-</u>	<u>-</u>	<u>330,919</u>
Support Services					
Salaries	-	-	32,729	-	37,729
Services	-	-	28,552	-	28,552
Supplies	-	-	997	-	20,609
Total Support Services	<u>-</u>	<u>-</u>	<u>62,278</u>	<u>-</u>	<u>86,890</u>
Food Service					
Salaries	-	-	-	78,524	78,524
Services	-	-	-	3,408	3,408
Supplies	-	-	-	131,659	131,659
Total Food Service	<u>-</u>	<u>-</u>	<u>-</u>	<u>213,591</u>	<u>213,591</u>
Total Expenditures	<u>102,024</u>	<u>10,355</u>	<u>62,278</u>	<u>213,591</u>	<u>631,400</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1)</u>	<u>-</u>	<u>1</u>	<u>7,756</u>	<u>15,703</u>
Other Financing Sources (Uses)					
Transfers In	-	-	-	58	58
Transfers Out	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>58</u>	<u>58</u>
Net Change in Fund Balances	(1)	-	1	7,814	15,761
Fund Balances - Beginning	-	-	-	11,964	46,064
Fund Balances - Ending	<u>\$ (1)</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ 19,778</u>	<u>\$ 61,825</u>

FEDERAL REPORTS



Millington Zwygart

CERTIFIED PUBLIC ACCOUNTANTS

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*

To the Board of Directors
Heritage Community Charter School, Inc.
Caldwell, Idaho

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 Community Charter School, Inc., as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Heritage Community Charter School, Inc.'s basic financial statements and have issued our report thereon dated August 28, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Heritage Community Charter School, Inc.'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 Heritage Community Charter School, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Heritage Community Charter School, Inc.'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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. 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 Heritage Community Charter School, Inc.'s financial statements are free from 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.

Millington Zwysart CPAs, PLLC

Caldwell, Idaho
August 28, 2017