

Heritage Community Charter School

Year Ended June 30, 2020

Audited Financial Statements



HERITAGE COMMUNITY CHARTER SCHOOL

Table of Contents

Financial Section

Independent Auditor's Report..... 1

Basic Financial Statements

Government-Wide Financial Statements

Statement of Net Position 4

Statement of Activities 5

Fund Financial Statements

Balance Sheet – Governmental Funds..... 6

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds..... 9

Statement of Fiduciary Net Position..... 12

Notes to Financial Statements 13

Required Supplementary Information

Budgetary Comparison Schedule – General and Major Special Revenue Funds..... 26

Schedule of Employer’s Share of Net Pension Liability 28

Schedule of Employer Contributions..... 29

Supplementary Information

Combining Balance Sheet – Nonmajor Governmental Funds..... 30

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds..... 33

Other Reports

Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards 36



Independent Auditor's Report

Board of Directors
Heritage Community Charter School

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Heritage Community Charter School (the School) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Basis for Qualified Opinion on Governmental Activities

Management has elected not to adopt the provisions of GASB 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Accounting principles generally accepted in the United States of America require recognition and measurement of an asset or liability, deferred outflows of resources, deferred inflows of resources, and expenses related to the other postemployment benefits as well as certain note disclosures and required supplementary information. The amount by which the departure would affect net position, assets, liabilities, deferred outflows of resources, deferred inflows of resources, expenses, note disclosures, and required supplementary information has not been determined.

Qualified Opinion

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinion on Governmental Activities” paragraph, the financial statements referred to previously present fairly, in all material respects, the financial position of the governmental activities of the School, as of June 30, 2020, and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of the School as of June 30, 2020, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2020, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

Quest CPAs PLLC

Payette, Idaho
September 24, 2020

HERITAGE COMMUNITY CHARTER SCHOOL

Statement of Net Position

June 30, 2020

	Governmental Activities
Assets	
Current Assets	
Cash & Investments	\$2,290,549
Receivables:	
Local Sources	324,313
State Sources	114,547
Federal Sources	111,245
Prepaid Expenses	9,607
Total Current Assets	<u>2,850,261</u>
Noncurrent Assets	
Nondepreciable Capital Assets	500,000
Depreciable Net Capital Assets	5,313,726
Total Noncurrent Assets	<u>5,813,726</u>
Total Assets	<u>8,663,987</u>
Deferred Outflows of Resources	
Pension Deferred Outflows	275,104
Total Deferred Outflows of Resources	<u>275,104</u>
Total Assets and Deferred Outflows of Resources	<u>\$8,939,091</u>
Liabilities	
Current Liabilities	
Accounts Payable	\$45,822
Salaries & Benefits Payable	286,448
Unspent Grant Allocation	64,993
Accrued Interest	192,844
Long-Term Debt, Current	90,000
Total Current Liabilities	<u>680,107</u>
Noncurrent Liabilities	
Long-Term Debt, Noncurrent	6,875,000
Net Pension Liability	526,810
Total Noncurrent Liabilities	<u>7,401,810</u>
Total Liabilities	<u>8,081,917</u>
Deferred Inflows of Resources	
Pension Deferred Inflows	241,556
Total Deferred Inflows of Resources	<u>241,556</u>
Total Liabilities and Deferred Inflows of Resources	<u>8,323,473</u>
Net Position	
Net Investment in Capital Assets	(1,344,118)
Restricted:	
Special Programs	164,976
Debt Service	825,314
Capital Projects	100,000
Unrestricted	869,446
Total Net Position	<u>615,618</u>
Total Liabilities and Deferred Inflows of Resources and Net Position	<u>\$8,939,091</u>

See Accompanying Notes

HERITAGE COMMUNITY CHARTER SCHOOL

Statement of Activities
Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue And Changes in Net Position
		Charges For Services	Operating Grants And Contributions	
Governmental Activities				Governmental Activities
Instructional Programs				
Elementary School	\$1,163,975		\$451,515	(\$712,460)
Secondary School	461,565		101,362	(360,203)
Special Education	182,135		77,429	(104,706)
Special Education Preschool	1,371		1,371	0
Interscholastic	2,371			(2,371)
Support Service Programs				
Attendance - Guidance - Health	900			(900)
Special Education Support Services	8,704		6,987	(1,717)
Instruction Improvement	7,945		7,945	0
Educational Media	0			0
Instruction-Related Technology	0			0
Board of Education	26,460			(26,460)
District Administration	11,459			(11,459)
School Administration	501,235		84,101	(417,134)
Business Operation	49,000			(49,000)
Administrative Technology	0			0
Buildings - Care	75,404		10,671	(64,733)
Maintenance - Non-Student Occupied	0			0
Maintenance - Student Occupied	1,672			(1,672)
Maintenance - Grounds	13,574			(13,574)
Security	909			(909)
Pupil-To-School Transportation	167,529			(167,529)
Pupil-Activity Transportation	0			0
Non-Instructional Programs				
Child Nutrition	219,446	\$28,947	209,533	19,034
Capital Assets - Student Occupied	113,454			(113,454)
Capital Assets - Non-Student Occupied	0			0
Debt Service - Principal	0			0
Debt Service - Interest	413,956			(413,956)
Total	<u>\$3,423,064</u>	<u>\$28,947</u>	<u>\$950,914</u>	<u>\$0</u>
General Revenues				
Local Revenue				27,993
State Revenue				3,131,180
Federal Revenue				0
Pension Revenue (Expense)				(206,151)
Total				<u>2,953,022</u>
Change in Net Position				509,819
Net Position - Beginning				<u>105,799</u>
Net Position - Ending				<u><u>\$615,618</u></u>

HERITAGE COMMUNITY CHARTER SCHOOL

Balance Sheet - Governmental Funds

June 30, 2020

	General Fund	Paycheck Protection Fund	Child Nutrition Fund	Bond R & I Fund
Assets				
Cash & Investments	\$1,209,841		\$50,317	\$825,314
Receivables:				
Local Sources	324,313			
State Sources	114,547			
Federal Sources			15,510	
Due From Other Funds	335			
Prepaid Expenses				
Total Assets	<u>\$1,649,036</u>	<u>\$0</u>	<u>\$65,827</u>	<u>\$825,314</u>
Liabilities				
Accounts Payable	\$36,909			
Due To Other Funds	12,599			
Salaries & Benefits Payable	246,427		\$7,328	
Unspent Grant Allocation				
Total Liabilities	<u>295,935</u>	<u>\$0</u>	<u>7,328</u>	<u>\$0</u>
Fund Balances				
Restricted:				
Special Programs			58,499	
Debt Service				825,314
Capital Projects				
Nonspendable				
Unassigned	1,353,101			
Total Fund Balances	<u>1,353,101</u>	<u>0</u>	<u>58,499</u>	<u>825,314</u>
Total Liabilities and Fund Balances	<u>\$1,649,036</u>	<u>\$0</u>	<u>\$65,827</u>	<u>\$825,314</u>

HERITAGE COMMUNITY CHARTER SCHOOL

Balance Sheet - Governmental Funds

June 30, 2020

	<u>Capital Construction Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Cash & Investments		\$205,077	\$2,290,549
Receivables:			
Local Sources		0	324,313
State Sources		0	114,547
Federal Sources		95,735	111,245
Due From Other Funds		12,599	12,934
Prepaid Expenses		9,607	9,607
Total Assets	<u>\$0</u>	<u>\$323,018</u>	<u>\$2,863,195</u>
Liabilities			
Accounts Payable		\$8,913	\$45,822
Due To Other Funds		335	12,934
Salaries & Benefits Payable		32,693	286,448
Unspent Grant Allocation		64,993	64,993
Total Liabilities	<u>\$0</u>	<u>106,934</u>	<u>410,197</u>
Fund Balances			
Restricted:			
Special Programs		106,477	164,976
Debt Service		0	825,314
Capital Projects		100,000	100,000
Nonspendable		9,607	9,607
Unassigned		0	1,353,101
Total Fund Balances	<u>0</u>	<u>216,084</u>	<u>2,452,998</u>
Total Liabilities and Fund Balances	<u>\$0</u>	<u>\$323,018</u>	<u>\$2,863,195</u>

HERITAGE COMMUNITY CHARTER SCHOOL

Balance Sheet - Governmental Funds

June 30, 2020

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

Total Governmental Fund Balances \$2,452,998

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. 5,813,726

Certain liabilities, including accrued interest, are not due and payable in the current period and therefore are not reported in the funds. (7,157,844)

Net pension liability and related pension source deferred outflow and deferred inflow of resources, are not due and payable in the current period and therefore are not reported in the funds. (493,262)

Net Position of Governmental Activities \$615,618

HERITAGE COMMUNITY CHARTER SCHOOL
Statement of Revenues, Expenditures, and Changes in
Fund Balances - Governmental Funds
Year Ended June 30, 2020

	General Fund	Paycheck Protection Fund	Child Nutrition Fund	Bond R & I Fund
Revenues				
Local Revenue	\$14,879		\$28,947	\$13,115
State Revenue	3,131,180			
Federal Revenue		\$432,600	192,615	
Total Revenues	<u>3,146,059</u>	<u>432,600</u>	<u>221,562</u>	<u>13,115</u>
Expenditures				
Instructional Programs				
Elementary School	882,535	219,548		
Secondary School	416,095	101,362		
Special Education	104,706			
Special Education Preschool				
Interscholastic	2,371			
Support Service Programs				
Attendance - Guidance - Health	900			
Special Education Support Services	1,547			
Instruction Improvement				
Educational Media				
Instruction-Related Technology				
Board of Education	26,460			
District Administration	11,459			
School Administration	417,134	84,101		
Business Operation	49,000			
Administrative Technology				
Buildings - Care	64,733	10,671		
Maintenance - Non-Student Occupied				
Maintenance - Student Occupied	1,672			
Maintenance - Grounds	13,574			
Security	909			
Pupil-To-School Transportation	167,529			
Pupil-Activity Transportation				
Non-Instructional Programs				
Child Nutrition	4,727	16,918	197,801	
Capital Assets - Student Occupied				
Capital Assets - Non-Student Occupied				
Debt Service - Principal				15,000
Debt Service - Interest				221,112
Total Expenditures	<u>2,165,351</u>	<u>432,600</u>	<u>197,801</u>	<u>236,112</u>
Excess (Deficiency) of Revenues Over Expenditures	980,708	0	23,761	(222,997)
Other Financing Sources (Uses)				
Transfers In				544,636
Transfers Out	(671,280)			
Total Other Financing Sources (Uses)	<u>(671,280)</u>	<u>0</u>	<u>0</u>	<u>544,636</u>
Net Change in Fund Balances	309,428	0	23,761	321,639
Fund Balances - Beginning	1,043,673	0	34,738	503,675
Fund Balances - Ending	<u>\$1,353,101</u>	<u>\$0</u>	<u>\$58,499</u>	<u>\$825,314</u>

HERITAGE COMMUNITY CHARTER SCHOOL
Statement of Revenues, Expenditures, and Changes in
Fund Balances - Governmental Funds
Year Ended June 30, 2020

	Capital Construction Fund	Other Governmental Funds	Total Governmental Funds
Revenues			
Local Revenue		\$0	\$56,941
State Revenue		87,384	3,218,564
Federal Revenue		238,315	863,530
Total Revenues	<u>\$0</u>	<u>325,699</u>	<u>4,139,035</u>
Expenditures			
Instructional Programs			
Elementary School		202,841	1,304,924
Secondary School		0	517,457
Special Education		77,429	182,135
Special Education Preschool		1,371	1,371
Interscholastic		0	2,371
Support Service Programs			
Attendance - Guidance - Health		0	900
Special Education Support Services		7,157	8,704
Instruction Improvement		7,945	7,945
Educational Media		0	0
Instruction-Related Technology		0	0
Board of Education		0	26,460
District Administration		0	11,459
School Administration		0	501,235
Business Operation		0	49,000
Administrative Technology		0	0
Buildings - Care		0	75,404
Maintenance - Non-Student Occupied		0	0
Maintenance - Student Occupied		0	1,672
Maintenance - Grounds		0	13,574
Security		0	909
Pupil-To-School Transportation		0	167,529
Pupil-Activity Transportation		0	0
Non-Instructional Programs			
Child Nutrition		0	219,446
Capital Assets - Student Occupied		0	0
Capital Assets - Non-Student Occupied	450,295	0	450,295
Debt Service - Principal		0	15,000
Debt Service - Interest		0	221,112
Total Expenditures	<u>450,295</u>	<u>296,743</u>	<u>3,778,902</u>
Excess (Deficiency) of Revenues Over Expenditures	(450,295)	28,956	360,133
Other Financing Sources (Uses)			
Transfers In	76,644	50,000	671,280
Transfers Out		0	(671,280)
Total Other Financing Sources (Uses)	<u>76,644</u>	<u>50,000</u>	<u>0</u>
Net Change in Fund Balances	(373,651)	78,956	360,133
Fund Balances - Beginning	373,651	137,128	2,092,865
Fund Balances - Ending	<u>\$0</u>	<u>\$216,084</u>	<u>\$2,452,998</u>

HERITAGE COMMUNITY CHARTER SCHOOL
Statement of Revenues, Expenditures, and Changes in
Fund Balances - Governmental Funds
Year Ended June 30, 2020

Page 3 of 3

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

Net Change in Fund Balances - Total Governmental Funds \$360,133

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

Government funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the excess of capital outlays over (under) depreciation expense in the current period. 336,841

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term debt in the statement of net position. 15,000

In the statement of activities, interest is accrued on long-term debt, but the expenditure is reported when due in the governmental funds. (192,844)

Changes in net pension liability and related pension source deferred outflow and deferred inflow of resources do not provide or require current financial resources and therefore are not reflected in the funds. (9,311)

Change in Net Position of Governmental Activities \$509,819

HERITAGE COMMUNITY CHARTER SCHOOL

Statement of Fiduciary Net Position

June 30, 2020

	Agency Funds Student Activity
Assets	
Cash	\$36,012
Total Assets	<u>\$36,012</u>
Liabilities	
Due to Student Groups	\$36,012
Total Liabilities	<u>36,012</u>
Net Position	
Total Net Position	<u>0</u>
Total Liabilities and Net Position	<u>\$36,012</u>

HERITAGE COMMUNITY CHARTER SCHOOL
Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

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

Basic Financial Statements - Fund Financial Statements – The financial transactions of the School are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a

HERITAGE COMMUNITY CHARTER SCHOOL

Notes to Financial Statements

separate set of self-balancing accounts that comprises its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues and expenditures/expenses.

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

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

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

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

Debt Service Funds – Debt service funds are used to account for the accumulation of funds for the periodic payment of principal and interest on long term debt. Major debt service funds include the bond redemption and interest fund, which accounts for accumulation of funds for the periodic payment of principal and interest on long term debt.

Capital Projects Funds – Capital projects funds are used to account for the acquisition of capital assets. Major capital projects funds include the capital construction fund, used to account for loan proceeds and related construction costs.

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

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

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

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

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual (when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or within thirty days after year end.

HERITAGE COMMUNITY CHARTER SCHOOL

Notes to Financial Statements

Expenditures are recorded when the related fund liability is incurred. Exceptions to this general rule include principal and interest on long-term debt which, if any, are recognized when due and payable.

Cash and Investments – Nearly all the cash and investment balances of the School’s funds are pooled for investment purposes. The individual funds’ portions of the pooled cash and investments are reported in each fund as cash and investments. Interest earned on pooled cash and investments is allocated to the various funds based on each fund’s respective investment balance. Investments include U.S. government securities and are stated at fair value using quoted market prices (Level 1).

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

Inventories – Material supplies on hand at year end are stated at the lower of cost or net realizable value using the first-in, first-out method.

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

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

Other Post-Employment Benefits – The School does not provide benefits to retired employees other than retirement benefits funded through the Public Employees Retirement System of Idaho. However, certain retired employees can remain on the School insurance policy after retirement if the retired employee pays the average monthly cost. The difference between the age-adjusted monthly cost and the average monthly cost is referred to as an “implicit subsidy” since the medical insurance rate of a retired employee is generally higher than the medical insurance rate of a younger employee. GASB 75 requires that employers have actuarial calculations performed for these other post-employment benefits so that an asset or liability, deferred outflows of resources, deferred inflows of resources, and expenses can be recorded in the government-wide financial statements and related notes and required supplementary information can be prepared. Management believes the costs of implementing GASB 75 cannot be justified at this time. Accordingly, the School accounts for the other-post employment benefits for retirees on the pay-as-you-go basis.

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

Net Position – Net position is assets plus deferred outflows of resources less liabilities less deferred inflows of resources. The net investment in capital assets component of net position consists of the historical cost of capital assets less accumulated depreciation less any outstanding debt that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.

HERITAGE COMMUNITY CHARTER SCHOOL

Notes to Financial Statements

Restricted net position consists of assets that are restricted by creditors, grantors, contributors, legislation, and other parties. All other net position not reported as restricted or net investment in capital assets is reported as unrestricted.

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

Income Taxes – The School is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code except for income, if any, derived from unrelated business activities. The School's tax returns for the current year and prior two years are subject to examination by the IRS and state tax authorities, generally for three years after they are filed.

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

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

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

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

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

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

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

HERITAGE COMMUNITY CHARTER SCHOOL
Notes to Financial Statements

B. CASH AND INVESTMENTS

Cash and investments consist of the following at year end:

	Governmental Funds	Fiduciary Funds	Total
Cash - Deposits	\$1,365,235	\$36,012	\$1,401,247
Investments - U.S. Government Securities	925,314		925,314
Total	\$2,290,549	\$36,012	\$2,326,561

Deposits – At year end, the carrying amounts of the School's deposits were \$1,401,247 and the bank balances were \$1,438,742. Of the bank balances, \$250,000 was insured, and the remainder was uninsured and uncollateralized.

Considerations for interest rate risk and credit rate risk relating to investments are shown below.

Interest rate risk:

	Investment Maturity Schedule (In Years)	
Investment Type	Less Than 1	Total
U.S. Gov't Securities	\$925,314	\$925,314
Total	\$925,314	\$925,314

Credit rate risk (Moody's rating scale):

	Investment Rating Schedule	
Investment Type	AAA	Total
U.S. Gov't Securities	\$925,314	925,314
Total	\$925,314	\$925,314

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

HERITAGE COMMUNITY CHARTER SCHOOL
Notes to Financial Statements

C. RECEIVABLES

Receivables consist of the following at year end:

	General Fund	Special Revenue Funds	Total
Local Sources			
Other Local	\$324,313		\$324,313
Total	<u>\$324,313</u>		<u>\$324,313</u>
State Sources			
Foundation Program	\$114,547		\$114,547
Total	<u>\$114,547</u>		<u>\$114,547</u>
Federal Sources			
Special Programs		\$111,245	\$111,245
Total		<u>\$111,245</u>	<u>\$111,245</u>

D. CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Nondepreciable Capital Assets				
Land	\$500,000			\$500,000
Construction in Progress	105,155	\$450,295	\$555,450	0
Total	<u>605,155</u>	<u>450,295</u>	<u>555,450</u>	<u>500,000</u>
Depreciable Capital Assets				
Buildings	5,050,000	555,450		5,605,450
Equipment	34,597			34,597
Subtotal	<u>5,084,597</u>	<u>555,450</u>	<u>0</u>	<u>5,640,047</u>
Accumulated Depreciation				
Buildings	187,037	112,109		299,146
Equipment	25,830	1,345		27,175
Subtotal	<u>212,867</u>	<u>113,454</u>	<u>0</u>	<u>326,321</u>
Total	<u>4,871,730</u>	<u>441,996</u>	<u>0</u>	<u>5,313,726</u>
Net Capital Assets	<u>\$5,476,885</u>	<u>\$892,291</u>	<u>\$555,450</u>	<u>\$5,813,726</u>

Depreciation expense of \$113,454 was charged to the capital assets – student occupied program.

HERITAGE COMMUNITY CHARTER SCHOOL
Notes to Financial Statements

F. LONG-TERM DEBT

Bonded Debt – At year end, the School’s bonded debt was as follows:

	Outstanding
2018A - \$6,680,000 - facilities revenue bonds (tax exempt issuances) for construction of facilities due in semiannual installments with interest at 6.00% through 2028/29, secured by real estate, paid through the bond redemption & interest fund	\$6,680,000
2018B - \$300,000 - facilities revenue bonds (taxable issuances) for construction of facilities due in semiannual installments with interest at 7.00% through 2022/23, secured by real estate, paid through the bond redemption & interest	\$285,000
Total	\$6,965,000

Maturities on the bonds are estimated as follows:

Year Ended	Principal	Interest
6/30/21	\$90,000	\$417,600
6/30/22	100,000	410,950
6/30/23	105,000	403,825
6/30/24	115,000	396,750
6/30/25	120,000	389,700
6/30/26-29	6,435,000	1,303,950
Total	\$6,965,000	\$3,322,775

Changes in long-term debt and obligations are as follows:

Description	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Series 2018A F.R. Bonds	\$6,680,000			\$6,680,000	\$0
Series 2018B F.R. Bonds	300,000		\$15,000	285,000	90,000
Total	\$6,980,000	\$0	\$15,000	\$6,965,000	\$90,000

Interest and related costs during the year amounted to \$413,956 and were charged to the debt service – interest program.

G. PENSION PLAN

Plan Description

The School contributes to the Base Plan which is a cost-sharing multiple-employer defined benefit pension plan administered by Public Employee Retirement System of Idaho (PERSI or System) that covers substantially all employees of the State of Idaho, its agencies and various participating political

HERITAGE COMMUNITY CHARTER SCHOOL
Notes to Financial Statements

subdivisions. The cost to administer the plan is financed through the contributions and investment earnings of the plan. PERSI issues a publicly available financial report that includes financial statements and the required supplementary information for PERSI. That report may be obtained on the PERSI website at www.persi.idaho.gov.

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 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. 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 for general employees and 72% for police and firefighters. As of June 30, 2019 it was 6.79% for general employees and 8.36% for police and firefighters. The employer contribution rate as a percent of covered payroll is set by the Retirement Board and was 11.32% for general employees and 11.66% for police and firefighters. The School's contributions were \$196,841 for the year ended June 30, 2020.

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

At June 30, 2020, the School reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School's proportion of the net pension liability was based on the School's share of contributions in the Base Plan pension plan relative to the total contributions of all participating PERSI Base Plan employers. At June 30, 2019, the School's proportion was 0.0461518 percent.

HERITAGE COMMUNITY CHARTER SCHOOL
Notes to Financial Statements

For the year ended June 30, 2020, the School recognized pension revenue (expense) of (\$206,151). At June 30, 2020, the 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 experience	\$48,959	\$62,087
Changes in assumptions or other inputs	29,304	
Net difference between projected and actual earnings on pension plan investments		179,469
Employer contributions subsequent to the measurement date	196,841	
Total	\$275,104	\$241,556

\$196,841 reported as deferred outflows of resources related to pensions resulting from School contributions made subsequent to the measurement date will be recognized as an addition to the pension expense or reduction of the pension revenue in the year ending June 30, 2021.

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, 2018 the beginning of the measurement period ended June 30, 2018 is 4.8 and 4.8 for the measurement period June 30, 2019.

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

Year Ended			
6/30/21			(\$18,970)
6/30/22			(81,272)
6/30/23			(39,589)
6/30/24			(23,462)
Total			(\$163,293)

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.

HERITAGE COMMUNITY CHARTER SCHOOL

Notes to Financial Statements

The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.75%
Salary inflation	3.75%
Investment rate of return	7.05%, 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, 2013 through June 30, 2017 which reviewed all economic and demographic assumptions other than mortality. The total pension liability as of June 30, 2019 is based on the results of an actuarial valuation date of July 1, 2019.

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

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

The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation.

HERITAGE COMMUNITY CHARTER SCHOOL
Notes to Financial Statements

Capital Market Assumptions

Asset Class	Target Allocation	Long-Term Expected Nominal Rate of Return (Arithmetic)	Long-Term Expected Real Rate of Return (Arithmetic)
Core Fixed Income	30.00%	3.05%	0.80%
Broad US Equities	55.00%	8.30%	6.05%
Developed Foreign Equities	15.00%	8.45%	6.20%
Assumed Inflation - Mean		2.25%	2.25%
Assumed Inflation - Standard Deviation		1.50%	1.50%
Portfolio Arithmetic Mean Return		6.75%	4.50%
Portfolio Standard Deviation		12.54%	12.54%
Portfolio Long-Term (Geometric) Expected Rate of Return		6.13%	3.77%
Assumed Investment Expenses		0.40%	0.40%
Portfolio Long-Term (Geometric) Expected Rate of Return*		5.73%	3.37%
Portfolio Long-Term Expected Real Rate of Return*			4.19%
Portfolio Standard Deviation			14.16%
Valuation Assumptions Chosen by PERSI Board			
Long-Term Expected Real Rate of Return*			4.05%
Assumed Inflation			3.00%
Long-Term Expected Nominal Rate of Return*			7.05%
*Net of Investment Expenses			

Discount Rate

The discount rate used to measure the total pension liability was 7.05%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate. Based on these assumptions, the pension plans' net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term expected rate of return was determined net of pension plan investment expense but without reduction for pension plan administrative expense.

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

The following presents the School's proportionate share of the net pension liability calculated using the discount rate of 7.05 percent, as well as what the School's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.05 percent) or 1-percentage-point higher (8.05 percent) than the current rate:

HERITAGE COMMUNITY CHARTER SCHOOL

Notes to Financial Statements

	1% Decrease (6.05%)	Current Discount Rate (7.05%)	1% Increase (8.05%)
School's proportionate share of the net pension liability (asset)	\$1,591,169	\$526,810	(\$353,381)

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.

Impacts on the School's net position

Depending on the annual performance of the Base Plan and the various non-financial factors that affect the collective Base Plan net pension liability (as described above), the School may periodically experience a deficit in its net position. This can occur as a result of recording the School's allocable portion of the net pension liability which is an estimated liability that changes substantially from year to year depending on the factors described above but does not currently require cash outflows. As the net pension liability of the Base Plan is closely monitored by PERSI's board (who makes changes to the contribution rates and other terms of the Base Plan whenever deemed necessary), such deficits are not deemed to be of substantial concern.

H. INTERFUND BALANCES

Interfund balances at year end consist of the following:

	Due From Fund		
	General	Nonmajor Governmental	Total
Due To Fund			
General		\$335	\$335
Nonmajor Governmental	\$12,599		12,599
Total	\$12,599	\$335	\$12,934

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

HERITAGE COMMUNITY CHARTER SCHOOL

Notes to Financial Statements

Interfund transfers during the year consist of the following:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>	<u>Purpose</u>
General		\$671,280	Debt Service, Capital Outlay, Maintenance
Bond R & I	\$544,636		Debt Service
Capital Construction	76,644		Capital Outlay
Nonmajor Governmental	50,000		Maintenance
Total	<u>\$671,280</u>	<u>\$671,280</u>	

HERITAGE COMMUNITY CHARTER SCHOOL
 Budgetary Comparison Schedule - General and Major Special Revenue Funds
 Year Ended June 30, 2020

General Fund	Budgeted Amounts		Actual	Final Budget
	(GAAP Basis)			Amounts
Revenues	Original	Final	Actual	Positive
				(Negative)
Local Revenue	\$4,500	\$5,500	\$14,879	\$9,379
State Revenue	3,340,518	3,164,053	3,131,180	(32,873)
Federal Revenue	0	0	0	0
Total Revenues	3,345,018	3,169,553	3,146,059	(23,494)
Expenditures				
Instructional Programs				
Elementary School	1,168,324	915,429	882,535	32,894
Secondary School	504,105	420,499	416,095	4,404
Special Education	105,000	105,000	104,706	294
Special Education Preschool	0	0	0	0
Interscholastic	3,700	3,700	2,371	1,329
Support Service Programs				
Attendance - Guidance - Health	9,540	2,000	900	1,100
Special Education Support Services	0	2,000	1,547	453
Instruction Improvement	0	0	0	0
Educational Media	0	0	0	0
Instruction-Related Technology	0	0	0	0
Board of Education	30,586	23,086	26,460	(3,374)
District Administration	11,400	11,400	11,459	(59)
School Administration	515,426	422,745	417,134	5,611
Business Operation	49,000	49,000	49,000	0
Administrative Technology	0	0	0	0
Buildings - Care	110,853	70,594	64,733	5,861
Maintenance - Non-Student Occupied	0	0	0	0
Maintenance - Student Occupied	0	0	1,672	(1,672)
Maintenance - Grounds	18,000	14,000	13,574	426
Security	1,200	1,200	909	291
Pupil-To-School Transportation	211,000	212,000	167,529	44,471
Pupil-Activity Transportation	0	0	0	0
Non-Instructional Programs				
Child Nutrition	4,853	4,748	4,727	21
Capital Assets - Student Occupied	0	0	0	0
Capital Assets - Non-Student Occupied	0	0	0	0
Debt Service - Principal	0	0	0	0
Debt Service - Interest	0	7,979	0	7,979
Total Expenditures	2,742,987	2,265,380	2,165,351	100,029 *
Excess (Deficiency) of Revenues				
Over Expenditures	602,031	904,173	980,708	76,535
Other Financing Sources (Uses)				
Transfers In	0	0	0	0
Transfers Out	(544,240)	(615,601)	(671,280)	(55,679) *
Total Other Financing Sources (Uses)	(544,240)	(615,601)	(671,280)	(55,679)
Net Change in Fund Balances	57,791	288,572	309,428	20,856
Fund Balances - Beginning	1,908,757	1,043,673	1,043,673	0
Fund Balances - Ending	\$1,966,548	\$1,332,245	\$1,353,101	\$20,856

*Total expenditures (over) under appropriations are: \$44,350

HERITAGE COMMUNITY CHARTER SCHOOL
 Budgetary Comparison Schedule - General and Major Special Revenue Funds
 Year Ended June 30, 2020

Child Nutrition Fund	Budgeted Amounts		Actual	Final Budget
	(GAAP Basis)			
	Original	Final		Positive
				(Negative)
Revenues				
Local Revenue	\$35,000	\$30,000	\$28,947	(\$1,053)
Federal Revenue	183,500	183,500	192,615	9,115
Total Revenues	<u>218,500</u>	<u>213,500</u>	<u>221,562</u>	<u>8,062</u>
Expenditures				
Non-Instructional Programs				
Child Nutrition	218,500	185,358	197,801	(12,443)
Total Expenditures	<u>218,500</u>	<u>185,358</u>	<u>197,801</u>	<u>(12,443) *</u>
Excess (Deficiency) of Revenues				
Over Expenditures	0	28,142	23,761	(4,381)
Other Financing Sources (Uses)				
Transfers In	0	0	0	0
Transfers Out	0	0	0	0 *
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	0	28,142	23,761	(4,381)
Fund Balances - Beginning	<u>27,333</u>	<u>34,738</u>	<u>34,738</u>	<u>0</u>
Fund Balances - Ending	<u>\$27,333</u>	<u>\$62,880</u>	<u>\$58,499</u>	<u>(\$4,381)</u>
				<u>(\$12,443)</u>

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

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

	<u>2019</u>	<u>2018</u>
School's portion of the net pension liability	0.0461518%	0.0481641%
School's proportionate share of the net pension liability	\$526,810	\$710,429
School's covered payroll	\$1,567,501	\$1,549,615
School's proportional share of the net pension liability as a percentage of its covered payroll	33.61%	45.85%
Plan fiduciary net position as a percentage of the total pension liability	93.79%	91.69%

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
School's portion of the net pension liability	0.0444857%	0.0431992%	0.0436084%	0.0431586%
School's proportionate share of the net pension liability	\$699,239	\$875,714	\$574,252	\$317,715
School's covered payroll	\$1,379,110	\$1,266,462	\$1,221,460	\$1,169,223
School's proportional share of the net pension liability as a percentage of its covered payroll	50.70%	69.15%	47.01%	27.17%
Plan fiduciary net position as a percentage of the total pension liability	90.68%	87.26%	91.38%	94.95%

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

Data reported is measured as of June 30.

HERITAGE COMMUNITY CHARTER SCHOOL
Schedule of Employer Contributions
PERSI - Base Plan
Last 10 - Fiscal Years*

		<u>2020</u>		<u>2019</u>
Statutorily required contribution		\$196,841		\$177,441
Contributions in relation to the statutorily required contribution		\$196,841		\$177,441
Contribution deficiency (excess)		<u>\$0</u>		<u>\$0</u>
School's covered payroll		\$1,648,585		\$1,567,501
Contributions as a percentage of covered payroll		11.94%		11.32%

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$175,416	\$156,115	\$143,364	\$138,269
Contributions in relation to the statutorily required contribution	\$175,416	\$156,115	\$143,364	\$138,269
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School's covered payroll	\$1,549,615	\$1,379,110	\$1,266,462	\$1,221,460
Contributions as a percentage of covered payroll	11.32%	11.32%	11.32%	11.32%

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

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

HERITAGE COMMUNITY CHARTER SCHOOL
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2020

	Special Revenue Funds			
	Garden Grant	Technology	Substance Abuse	Title I-A ESSA IBP
Assets				
Cash & Investments	\$4,187	\$90,133	\$10,757	
Receivables:				
Local Sources				
State Sources				
Federal Sources				\$41,610
Due From Other Funds			3,221	8,784
Prepaid Expenses		9,607		
Total Assets	\$4,187	\$99,740	\$13,978	\$50,394
Liabilities				
Accounts Payable		\$1,821		\$35
Due To Other Funds				
Salaries & Benefits Payable				20,089
Unspent Grant Allocation				30,270
Total Liabilities	\$0	1,821	\$0	50,394
Fund Balances				
Restricted:				
Special Programs	4,187	88,312	13,978	
Debt Service				
Capital Projects				
Nonspendable		9,607		
Unassigned				
Total Fund Balances	4,187	97,919	13,978	0
Total Liabilities and Fund Balances	\$4,187	\$99,740	\$13,978	\$50,394

HERITAGE COMMUNITY CHARTER SCHOOL
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2020

	Special Revenue Funds			
	IDEA Part B 611 School Age 3-21	IDEA Part B 619 Pre-School Age 3-5	School Based Medicaid	Title IV-A ESSA SS & AE
Assets				
Cash & Investments				
Receivables:				
Local Sources				
State Sources				
Federal Sources	\$23,734	\$1,528		\$7,057
Due From Other Funds				
Prepaid Expenses				
Total Assets	\$23,734	\$1,528	\$0	\$7,057
Liabilities				
Accounts Payable				\$7,057
Due To Other Funds	\$184			
Salaries & Benefits Payable	9,861			
Unspent Grant Allocation	13,689	\$1,528		
Total Liabilities	23,734	1,528	\$0	7,057
Fund Balances				
Restricted:				
Special Programs				
Debt Service				
Capital Projects				
Nonspendable				
Unassigned				
Total Fund Balances	0	0	0	0
Total Liabilities and Fund Balances	\$23,734	\$1,528	\$0	\$7,057

HERITAGE COMMUNITY CHARTER SCHOOL
 Combining Balance Sheet - Nonmajor Governmental Funds
 June 30, 2020

	<u>Special Revenue Funds</u>		<u>Capital Projects</u>	<u>Total</u>
	<u>Title III</u>	<u>Title II-A</u>	<u>Facility</u>	
	<u>ESSA</u>	<u>ESSA</u>		
	<u>ELA</u>	<u>SEI</u>	<u>Maintenance</u>	
Assets				
Cash & Investments			\$100,000	\$205,077
Receivables:				
Local Sources				0
State Sources				0
Federal Sources	\$9,487	\$12,319		95,735
Due From Other Funds	594			12,599
Prepaid Expenses				9,607
Total Assets	<u>\$10,081</u>	<u>\$12,319</u>	<u>\$100,000</u>	<u>\$323,018</u>
Liabilities				
Accounts Payable				\$8,913
Due To Other Funds		\$151		335
Salaries & Benefits Payable	\$2,743			32,693
Unspent Grant Allocation	7,338	12,168		64,993
Total Liabilities	<u>10,081</u>	<u>12,319</u>	<u>\$0</u>	<u>106,934</u>
Fund Balances				
Restricted:				
Special Programs				106,477
Debt Service				0
Capital Projects			100,000	100,000
Nonspendable				9,607
Unassigned				0
Total Fund Balances	<u>0</u>	<u>0</u>	<u>100,000</u>	<u>216,084</u>
Total Liabilities and Fund Balances	<u>\$10,081</u>	<u>\$12,319</u>	<u>\$100,000</u>	<u>\$323,018</u>

HERITAGE COMMUNITY CHARTER SCHOOL
Combining Statement of Revenues, Expenditures, and Changes in
Fund Balances - Nonmajor Governmental Funds
Year Ended June 30, 2020

	Special Revenue Funds			
	Garden Grant	Technology	Substance Abuse	Title I-A ESSA IBP
Revenues				
Local Revenue				
State Revenue		\$79,333	\$8,051	
Federal Revenue				\$113,222
Total Revenues	<u>\$0</u>	<u>79,333</u>	<u>8,051</u>	<u>113,222</u>
Expenditures				
Instructional Programs				
Elementary School	337	49,915	8,006	113,222
Secondary School				
Special Education				
Special Education Preschool				
Interscholastic				
Support Service Programs				
Attendance - Guidance - Health				
Special Education Support Services				
Instruction Improvement				
Educational Media				
Instruction-Related Technology				
Board of Education				
District Administration				
School Administration				
Business Operation				
Administrative Technology				
Buildings - Care				
Maintenance - Non-Student Occupied				
Maintenance - Student Occupied				
Maintenance - Grounds				
Security				
Pupil-To-School Transportation				
Pupil-Activity Transportation				
Non-Instructional Programs				
Child Nutrition				
Capital Assets - Student Occupied				
Capital Assets - Non-Student Occupied				
Debt Service - Principal				
Debt Service - Interest				
Total Expenditures	<u>337</u>	<u>49,915</u>	<u>8,006</u>	<u>113,222</u>
Excess (Deficiency) of Revenues Over Expenditures	(337)	29,418	45	0
Other Financing Sources (Uses)				
Transfers In				
Transfers Out				
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	(337)	29,418	45	0
Fund Balances - Beginning	4,524	68,501	13,933	0
Fund Balances - Ending	<u>\$4,187</u>	<u>\$97,919</u>	<u>\$13,978</u>	<u>\$0</u>

HERITAGE COMMUNITY CHARTER SCHOOL
Combining Statement of Revenues, Expenditures, and Changes in
Fund Balances - Nonmajor Governmental Funds
Year Ended June 30, 2020

	Special Revenue Funds			
	IDEA Part B 611 School Age 3-21	IDEA Part B 619 Pre-School Age 3-5	School Based Medicaid	Title IV-A ESSA SS & AE
Revenues				
Local Revenue				
State Revenue				
Federal Revenue	\$77,429	\$1,371	\$6,987	\$14,551
Total Revenues	<u>77,429</u>	<u>1,371</u>	<u>6,987</u>	<u>14,551</u>
Expenditures				
Instructional Programs				
Elementary School				14,551
Secondary School				
Special Education	77,429			
Special Education Preschool		1,371		
Interscholastic				
Support Service Programs				
Attendance - Guidance - Health				
Special Education Support Services			7,157	
Instruction Improvement				
Educational Media				
Instruction-Related Technology				
Board of Education				
District Administration				
School Administration				
Business Operation				
Administrative Technology				
Buildings - Care				
Maintenance - Non-Student Occupied				
Maintenance - Student Occupied				
Maintenance - Grounds				
Security				
Pupil-To-School Transportation				
Pupil-Activity Transportation				
Non-Instructional Programs				
Child Nutrition				
Capital Assets - Student Occupied				
Capital Assets - Non-Student Occupied				
Debt Service - Principal				
Debt Service - Interest				
Total Expenditures	<u>77,429</u>	<u>1,371</u>	<u>7,157</u>	<u>14,551</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	(170)	0
Other Financing Sources (Uses)				
Transfers In				
Transfers Out				
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	0	0	(170)	0
Fund Balances - Beginning	0	0	170	0
Fund Balances - Ending	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

HERITAGE COMMUNITY CHARTER SCHOOL
Combining Statement of Revenues, Expenditures, and Changes in
Fund Balances - Nonmajor Governmental Funds
Year Ended June 30, 2020

	<u>Special Revenue Funds</u>		<u>Capital Projects</u>	<u>Total</u>
	<u>Title III</u>	<u>Title II-A</u>	<u>Facility</u>	
	<u>ESSA</u>	<u>ESSA</u>		
	<u>ELA</u>	<u>SEI</u>	<u>Maintenance</u>	
Revenues				
Local Revenue				\$0
State Revenue				87,384
Federal Revenue	\$16,810	\$7,945		238,315
Total Revenues	<u>16,810</u>	<u>7,945</u>	<u>\$0</u>	<u>325,699</u>
Expenditures				
Instructional Programs				
Elementary School	16,810			202,841
Secondary School				0
Special Education				77,429
Special Education Preschool				1,371
Interscholastic				0
Support Service Programs				
Attendance - Guidance - Health				0
Special Education Support Services				7,157
Instruction Improvement		7,945		7,945
Educational Media				0
Instruction-Related Technology				0
Board of Education				0
District Administration				0
School Administration				0
Business Operation				0
Administrative Technology				0
Buildings - Care				0
Maintenance - Non-Student Occupied				0
Maintenance - Student Occupied				0
Maintenance - Grounds				0
Security				0
Pupil-To-School Transportation				0
Pupil-Activity Transportation				0
Non-Instructional Programs				
Child Nutrition				0
Capital Assets - Student Occupied				0
Capital Assets - Non-Student Occupied				0
Debt Service - Principal				0
Debt Service - Interest				0
Total Expenditures	<u>16,810</u>	<u>7,945</u>	<u>0</u>	<u>296,743</u>
Excess (Deficiency) of Revenues				
Over Expenditures	0	0	0	28,956
Other Financing Sources (Uses)				
Transfers In			50,000	50,000
Transfers Out				0
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>50,000</u>	<u>50,000</u>
Net Change in Fund Balances	<u>0</u>	<u>0</u>	<u>50,000</u>	<u>78,956</u>
Fund Balances - Beginning	<u>0</u>	<u>0</u>	<u>50,000</u>	<u>137,128</u>
Fund Balances - Ending	<u>\$0</u>	<u>\$0</u>	<u>\$100,000</u>	<u>\$216,084</u>



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

Board of Directors
Heritage Community Charter School

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Heritage Community Charter School (the School), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School’s basic financial statements, and have issued our report thereon dated September 24, 2020.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The

results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Quest CPAs PLLC

Payette, Idaho
September 24, 2020