

AMERICAN HERITAGE CHARTER SCHOOL

FINANCIAL STATEMENTS

Year Ended June 30, 2014

AMERICAN HERITAGE CHARTER SCHOOL

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FINANCIAL SECTION

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Independent Auditor's Report

Board of Directors
American Heritage Charter School

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of American Heritage Charter School (the School) as of and for the year ended June 30, 2014, 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School as of June 30, 2014, 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 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 omitted 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 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, and historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 26, 2014, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

Quest CPAs, P.C.

Payette, Idaho
August 26, 2014

BASIC FINANCIAL STATEMENTS

AMERICAN HERITAGE CHARTER SCHOOL

Statement of Net Position

June 30, 2014

	Governmental Activities
Assets	
Current Assets	
Cash	\$219,004
Receivables:	
Local Sources	9,326
State Sources	13,547
Federal Sources	40,404
Total Current Assets	<u>282,281</u>
Noncurrent Assets	
Nondepreciable Capital Assets	0
Depreciable Net Capital Assets	5,399
Total Noncurrent Assets	<u>5,399</u>
Total Assets	<u><u>\$287,680</u></u>
Liabilities	
Current Liabilities	
Accounts Payable	\$10,139
Salaries & Benefits Payable	125,803
Unspent Grant Allocation	20,670
Total Current Liabilities	<u>156,612</u>
Total Liabilities	<u>156,612</u>
Net Position	
Net Investment in Capital Assets	5,399
Restricted:	
Special Programs	38,082
Unrestricted	87,587
Total Net Position	<u>131,068</u>
Total Liabilities and Net Position	<u><u>\$287,680</u></u>

AMERICAN HERITAGE CHARTER SCHOOL

Statement of Activities Year Ended June 30, 2014

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue And Changes in Net Position</u>
		<u>Charges For Services</u>	<u>Operating Grants And Contributions</u>	<u>Capital Grants And Contributions</u>	<u>Governmental Activities</u>
Governmental Activities					
Instructional Programs					
Elementary School	\$539,842		\$14,554		(\$525,288)
Secondary School	307,413				(307,413)
Special Education	21,044		1,786		(19,258)
Support Service Programs					
Attendance - Guidance - Health	512				(512)
Special Education Support Services	16,140				(16,140)
Instructional Improvement	18,352		10,546		(7,806)
Board of Education	20,102				(20,102)
District Administration	88,747				(88,747)
School Administration	20,912				(20,912)
Business Operation	82,479				(82,479)
Administrative Technology	16,628				(16,628)
Buildings - Care	76,128				(76,128)
Maintenance - Non-Student Occupied	0				0
Maintenance - Student Occupied	2,542				(2,542)
Maintenance - Grounds	400				(400)
Security	53				(53)
Pupil-To-School Transportation	7,092				(7,092)
Non-Instructional Programs					
Child Nutrition	63,993	\$36,222			(27,771)
Capital Assets - Student Occupied	600				(600)
Capital Assets - Non-Student Occupied	0				0
Total	<u>\$1,282,979</u>	<u>\$36,222</u>	<u>\$26,886</u>	<u>\$0</u>	<u>(1,219,871)</u>
General Revenues					
Local Revenue					56,938
State Revenue					1,078,442
Federal Revenue					27,518
Total					<u>1,162,898</u>
Change in Net Position					
					(56,973)
Net Position - Beginning					
					<u>188,041</u>
Net Position - Ending					
					<u>\$131,068</u>

AMERICAN HERITAGE CHARTER SCHOOL

Balance Sheet - Governmental Funds

June 30, 2014

	General Fund	Albertsons Fund	Child Nutrition Fund	Other Governmental Funds
Assets				
Cash	\$182,407	\$36,597		\$0
Receivables:				
Local Sources	9,326			0
State Sources	13,547			0
Federal Sources			\$3,721	36,683
Due From Other Funds	17,835			0
Total Assets	<u>\$223,115</u>	<u>\$36,597</u>	<u>\$3,721</u>	<u>\$36,683</u>
Liabilities				
Accounts Payable	\$10,139			\$0
Due To Other Funds			\$2,236	15,599
Salaries & Benefits Payable	125,389			414
Unspent Grant Allocation				20,670
Total Liabilities	<u>135,528</u>	<u>\$0</u>	<u>2,236</u>	<u>36,683</u>
Fund Balances				
Restricted:				
Special Programs		36,597	1,485	0
Unassigned	87,587			0
Total Fund Balances	<u>87,587</u>	<u>36,597</u>	<u>1,485</u>	<u>0</u>
Total Liabilities and Fund Balances	<u>\$223,115</u>	<u>\$36,597</u>	<u>\$3,721</u>	<u>\$36,683</u>

AMERICAN HERITAGE CHARTER SCHOOL

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Balance Sheet - Governmental Funds

June 30, 2014

	Total Governmental Funds
Assets	
Cash	\$219,004
Receivables:	
Local Sources	9,326
State Sources	13,547
Federal Sources	40,404
Due From Other Funds	17,835
Total Assets	<u><u>\$300,116</u></u>
Liabilities	
Accounts Payable	\$10,139
Due To Other Funds	17,835
Salaries & Benefits Payable	125,803
Unspent Grant Allocation	20,670
Total Liabilities	<u>174,447</u>
Fund Balances	
Restricted:	
Special Programs	38,082
Unassigned	87,587
Total Fund Balances	<u>125,669</u>
Total Liabilities and Fund Balances	<u><u>\$300,116</u></u>

Balance Sheet - Governmental Funds

June 30, 2014

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

Total Governmental Fund Balances \$125,669

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. 5,399

Net Position of Governmental Activities \$131,068

AMERICAN HERITAGE CHARTER SCHOOL
Statement of Revenues, Expenditures, and Changes in
Fund Balances - Governmental Funds
Year Ended June 30, 2014

	<u>General Fund</u>	<u>Albertsons Fund</u>	<u>Child Nutrition Fund</u>	<u>Other Governmental Funds</u>
Revenues				
Local Revenue	\$56,938		\$36,222	\$0
State Revenue	1,078,442			0
Federal Revenue			27,518	26,886
Total Revenues	<u>1,135,380</u>	<u>\$0</u>	<u>63,740</u>	<u>26,886</u>
Expenditures				
Instructional Programs				
Elementary School	446,653	84,634		14,554
Secondary School	248,409	59,004		0
Special Education	19,258			1,786
Support Service Programs				
Attendance - Guidance - Health	512			0
Special Education Support Services	16,140			0
Instructional Improvement		7,806		10,546
Board of Education	20,102			0
District Administration	88,747			0
School Administration	20,912			0
Business Operation	82,479			0
Administrative Technology	16,628			0
Buildings - Care	76,128			0
Maintenance - Non-Student Occupied				0
Maintenance - Student Occupied	2,542			0
Maintenance - Grounds	400			0
Security	53			0
Pupil-To-School Transportation	7,092			0
Non-Instructional Programs				
Child Nutrition	1,738		62,255	0
Capital Assets - Student Occupied				0
Capital Assets - Non-Student Occupied				0
Total Expenditures	<u>1,047,793</u>	<u>151,444</u>	<u>62,255</u>	<u>26,886</u>
Excess (Deficiency) of Revenues Over Expenditures	87,587	(151,444)	1,485	0
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	87,587	(151,444)	1,485	0
Fund Balances - Beginning	0	188,041	0	0
Fund Balances - Ending	<u>\$87,587</u>	<u>\$36,597</u>	<u>\$1,485</u>	<u>\$0</u>

AMERICAN HERITAGE CHARTER SCHOOL
Statement of Revenues, Expenditures, and Changes in
Fund Balances - Governmental Funds
Year Ended June 30, 2014

	<u>Total Governmental Funds</u>
Revenues	
Local Revenue	\$93,160
State Revenue	1,078,442
Federal Revenue	54,404
Total Revenues	<u>1,226,006</u>
Expenditures	
Instructional Programs	
Elementary School	545,841
Secondary School	307,413
Special Education	21,044
Support Service Programs	
Attendance - Guidance - Health	512
Special Education Support Services	16,140
Instructional Improvement	18,352
Board of Education	20,102
District Administration	88,747
School Administration	20,912
Business Operation	82,479
Administrative Technology	16,628
Buildings - Care	76,128
Maintenance - Non-Student Occupied	0
Maintenance - Student Occupied	2,542
Maintenance - Grounds	400
Security	53
Pupil-To-School Transportation	7,092
Non-Instructional Programs	
Child Nutrition	63,993
Capital Assets - Student Occupied	0
Capital Assets - Non-Student Occupied	0
Total Expenditures	<u>1,288,378</u>
Excess (Deficiency) of Revenues Over Expenditures	(62,372)
Other Financing Sources (Uses)	
Transfers In	0
Transfers Out	0
Total Other Financing Sources (Uses)	<u>0</u>
Net Change in Fund Balances	(62,372)
Fund Balances - Beginning	188,041
Fund Balances - Ending	<u><u>\$125,669</u></u>

AMERICAN HERITAGE CHARTER SCHOOL
Statement of Revenues, Expenditures, and Changes in
Fund Balances - Governmental Funds
Year Ended June 30, 2014

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

Net Change in Fund Balances - Total Governmental Funds (\$62,372)

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.

5,399

Change in Net Position of Governmental Activities (\$56,973)

AMERICAN HERITAGE CHARTER SCHOOL

Statement of Fiduciary Net Position

June 30, 2014

	Agency Funds - Student Activity
Assets	
Cash & Investments	\$3,705
Total Assets	<u>\$3,705</u>
Liabilities	
Due to Student Groups	\$3,705
Total Liabilities	<u>3,705</u>
Net Position	<u>0</u>
Total Net Position	<u>0</u>
Total Liabilities and Net Position	<u><u>\$3,705</u></u>

AMERICAN HERITAGE CHARTER SCHOOL

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

AMERICAN HERITAGE CHARTER SCHOOL

Notes to Financial Statements

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

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

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

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

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

Fiduciary funds of the School include:

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

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

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

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

AMERICAN HERITAGE CHARTER SCHOOL

Notes to Financial Statements

Cash – Nearly all the cash balances of the School’s funds are pooled for investment purposes. The individual funds’ portions of the pooled cash are reported in each fund as cash. Interest earned on pooled cash is allocated to the various funds in proportion to each fund’s respective investment balance.

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

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

Capital Assets and Depreciation – Significant capital asset acquisitions with an original cost of \$5,000 or more are recorded at cost if purchased or fair value if contributed. Minor 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 and Post-Retirement Benefits – 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. Government accounting standards board statement 45 requires employers to accrue future estimated post-retirement benefits on the employer’s government-wide financial statements when such benefits are deemed material to the employer. The future estimated post-retirement benefits are deemed immaterial to the School, and accordingly, are not reflected on the government-wide financial statements.

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

AMERICAN HERITAGE CHARTER SCHOOL

Notes to Financial Statements

Income Taxes – The School is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code except for income, if any, derived from unrelated business activities. The School's Form 990, Return of Organization Exempt from Income Tax, for the fiscal years ending 2014, 2013, and 2012 are subject to examination by the IRS, generally for three years after they were filed.

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

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

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

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

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

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

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.

AMERICAN HERITAGE CHARTER SCHOOL

Notes to Financial Statements

B. CASH

Cash consists of the following at year end:

Cash - Deposits	\$222,709
Total	<u><u>\$222,709</u></u>

Deposits – At year end, the carrying amounts of the School's deposits were \$222,709 and the bank balances were \$263,581. Of the bank balances, \$250,000 was insured and the remainder was uninsured and uncollateralized.

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

C. RECEIVABLES

Receivables consist of the following at year end:

	<u>General Fund</u>	<u>Special Revenue Funds</u>
Local Sources		
Reimbursements	\$9,326	
Total	<u><u>\$9,326</u></u>	
State Sources		
Foundation Program	\$13,547	
Total	<u><u>\$13,547</u></u>	
Federal Sources		
Special Programs		\$40,404
Total		<u><u>\$40,404</u></u>

AMERICAN HERITAGE CHARTER SCHOOL
Notes to Financial Statements

D. CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Nondepreciable Capital Assets				
Land	\$0			\$0
Total	<u>0</u>	<u>\$0</u>	<u>\$0</u>	<u>0</u>
Depreciable Capital Assets				
Buildings	0			0
Equipment	0	5,999		5,999
Subtotal	<u>0</u>	<u>5,999</u>	<u>0</u>	<u>5,999</u>
Accumulated Depreciation				
Buildings	0			0
Equipment	0	600		600
Subtotal	<u>0</u>	<u>600</u>	<u>0</u>	<u>600</u>
Total	<u>0</u>	<u>5,399</u>	<u>0</u>	<u>5,399</u>
Net Capital Assets	<u>\$0</u>	<u>\$5,399</u>	<u>\$0</u>	<u>\$5,399</u>

Depreciation expense of \$600 was charged to the capital assets – student occupied program.

E. OPERATING LEASE

The School leases its premises under an agreement that requires it to make two \$15,000 payments during the year. Total lease payments for the year amounted to \$30,000.

F. RETIREMENT PLAN

Public Employee Retirement System of Idaho (PERSI) - The PERSI Base Plan, a cost sharing multiple-employer public retirement system, was created by the Idaho State Legislature. It is a defined benefit plan requiring that both the member and the employer contribute. The Plan provides benefits based on members' years of service, age, and compensation. In addition, benefits are provided for disability, death, and survivors of eligible members or beneficiaries. The authority to establish and amend benefit provisions is established in Idaho Code. Designed as a mandatory system for eligible state and school district employees, the legislation provided for other political subdivisions to participate by contractual agreement with PERSI. After 5 years of credited service, members become fully vested in retirement benefits earned to date. Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. For each month of credited service, the annual service retirement

AMERICAN HERITAGE CHARTER SCHOOL

Notes to Financial Statements

allowance is 2.0% (2.3% police/firefighter) of the average monthly salary for the highest consecutive 42 months.

PERSI issues publicly available standalone financial reports that include audited financial statements and required supplementary information. These reports may be obtained from PERSI's website www.persi.idaho.gov.

The actuarially determined contribution requirements of the School and its employees are established and may be amended by the PERSI Board of Trustees for the year ended June 30, 2014, the required contribution rate as a percentage of covered payrolls for members was 6.79% for general members and 8.36% for police/firefighter members. The employer rate as a percentage of covered payroll was 11.32% for general members and 11.66% for police/firefighter members. Additionally, PERSI administers the Sick Leave Insurance Reserve Fund which collects salary-based contributions for state and school employees while employed and pays insurance premiums at retirement based on a portion of the accumulated balance of their unused sick leave. State and school employers pre-fund this termination payment with contributions during active employment. The School's employer contributions required and paid were \$68,430, \$0, and \$0, for the three years ended June 30, 2014, 2013, and 2012 respectively.

G. INTERFUND BALANCES

Interfund balances at year end consist of the following:

	Due From Fund		
	Child Nutrition	Nonmajor Governmental	Total
Due To Fund			
General	\$2,236	\$15,599	\$17,835
Total	\$2,236	\$15,599	\$17,835

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

REQUIRED SUPPLEMENTARY INFORMATION

AMERICAN HERITAGE CHARTER SCHOOL

Budgetary Comparison Schedule - General and Major Special Revenue Funds

Year Ended June 30, 2014

General Fund	Budgeted Amounts (GAAP Basis)		Actual Amounts	Final Budget Variance
	Original	Final		Positive (Negative)
Revenues				
Local Revenue	\$75,000	\$46,230	\$56,938	\$10,708
State Revenue	1,107,024	1,081,796	1,078,442	(3,354)
Federal Revenue	0	0	0	0
Total Revenues	1,182,024	1,128,026	1,135,380	7,354
Expenditures				
Instructional Programs				
Elementary School	573,081	476,283	446,653	29,630
Secondary School	129,418	239,999	248,409	(8,410)
Special Education	62,644	17,903	19,258	(1,355)
Support Service Programs				
Attendance - Guidance - Health	2,000	512	512	0
Special Education Support Services	3,186	11,186	16,140	(4,954)
Instructional Improvement	0	0	0	0
Board of Education	28,000	26,212	20,102	6,110
District Administration	80,398	91,615	88,747	2,868
School Administration	1,000	19,653	20,912	(1,259)
Business Operation	64,334	76,365	82,479	(6,114)
Administrative Technology	906	1,714	16,628	(14,914)
Buildings - Care	39,700	39,606	76,128	(36,522)
Maintenance - Non-Student Occupied	0	0	0	0
Maintenance - Student Occupied	11,006	5,142	2,542	2,600
Maintenance - Grounds	0	900	400	500
Security	1,000	60	53	7
Pupil-To-School Transportation	134,990	7,683	7,092	591
Non-Instructional Programs				
Child Nutrition	0	1,776	1,738	38
Capital Assets - Student Occupied	50,361	0	0	0
Capital Assets - Non-Student Occupied	0	0	0	0
Total Expenditures	1,182,024	1,016,609	1,047,793	(31,184) *
Excess (Deficiency) of Revenues Over Expenditures				
	0	111,417	87,587	(23,830)
Other Financing Sources (Uses)				
Transfers In	0	0	0	0
Transfers Out	0	0	0	0 *
Total Other Financing Sources (Uses)	0	0	0	0
Net Change in Fund Balances	0	111,417	87,587	(23,830)
Fund Balances - Beginning	0	0	0	0
Fund Balances - Ending	\$0	\$111,417	\$87,587	(\$23,830)

*Total expenditures (over) under appropriations are: (\$31,184)

AMERICAN HERITAGE CHARTER SCHOOL

Budgetary Comparison Schedule - General and Major Special Revenue Funds

Year Ended June 30, 2014

Albertsons Fund	Budgeted Amounts (GAAP Basis)		Actual Amounts	Final Budget Variance Positive (Negative)
	Original	Final		
Revenues				
Local Revenue	\$250,000	\$0	\$0	\$0
State Revenue	0	0	0	0
Federal Revenue	0	0	0	0
Total Revenues	250,000	0	0	0
Expenditures				
Instructional Programs				
Elementary School	175,000	88,000	84,634	3,366
Secondary School	75,000	59,500	59,004	496
Special Education	0	0	0	0
Support Service Programs				
Attendance - Guidance - Health	0	0	0	0
Special Education Support Services	0	0	0	0
Instructional Improvement	0	7,850	7,806	44
Board of Education	0	0	0	0
District Administration	0	0	0	0
School Administration	0	0	0	0
Business Operation	0	0	0	0
Administrative Technology	0	0	0	0
Buildings - Care	0	0	0	0
Maintenance - Non-Student Occupied	0	0	0	0
Maintenance - Student Occupied	0	0	0	0
Maintenance - Grounds	0	0	0	0
Security	0	0	0	0
Pupil-To-School Transportation	0	0	0	0
Non-Instructional Programs				
Child Nutrition	0	0	0	0
Capital Assets - Student Occupied	0	0	0	0
Capital Assets - Non-Student Occupied	0	0	0	0
Total Expenditures	250,000	155,350	151,444	3,906 *
Excess (Deficiency) of Revenues Over Expenditures				
	0	(155,350)	(151,444)	3,906
Other Financing Sources (Uses)				
Transfers In	0	0	0	0
Transfers Out	0	0	0	0 *
Total Other Financing Sources (Uses)	0	0	0	0
Net Change in Fund Balances	0	(155,350)	(151,444)	3,906
Fund Balances - Beginning	0	155,350	188,041	32,691
Fund Balances - Ending	\$0	\$0	\$36,597	\$36,597

*Total expenditures (over) under appropriations are: \$3,906

AMERICAN HERITAGE CHARTER SCHOOL

Budgetary Comparison Schedule - General and Major Special Revenue Funds

Year Ended June 30, 2014

Child Nutrition Fund	Budgeted Amounts (GAAP Basis)		Actual Amounts	Final Budget Variance Positive (Negative)
	Original	Final		
Revenues				
Local Revenue	\$25,000	\$31,642	\$36,222	\$4,580
Federal Revenue	67,980	27,980	27,518	(462)
Total Revenues	<u>92,980</u>	<u>59,622</u>	<u>63,740</u>	<u>4,118</u>
Expenditures				
Non-Instructional Programs				
Child Nutrition	92,980	59,622	62,255	(2,633)
Total Expenditures	<u>92,980</u>	<u>59,622</u>	<u>62,255</u>	<u>(2,633) *</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	1,485	1,485
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	0	1,485	1,485
Fund Balances - Beginning	0	0	0	0
Fund Balances - Ending	<u>\$0</u>	<u>\$0</u>	<u>\$1,485</u>	<u>\$1,485</u>
				<u>*(Total expenditures (over) under appropriations are: (\$2,633))</u>

SUPPLEMENTARY INFORMATION

AMERICAN HERITAGE CHARTER SCHOOL
 Combining Balance Sheet - Nonmajor Governmental Funds
 June 30, 2014

	Special Revenue Funds		
	Title I-A ESEA IBP	Special Educ. IDEA Part B School-Age	Title II-A Improving Teacher Quality
Assets			
Cash			
Receivables:			
Local Sources			
State Sources			
Federal Sources	\$10,183	\$20,004	\$6,496
Due From Other Funds			
Total Assets	\$10,183	\$20,004	\$6,496
Liabilities			
Accounts Payable			
Due To Other Funds	\$9,769	\$1,786	\$4,044
Salaries & Benefits Payable	414		
Unspent Grant Allocation		18,218	2,452
Total Liabilities	10,183	20,004	6,496
Fund Balances			
Restricted:			
Special Programs			
Unassigned			
Total Fund Balances	0	0	0
Total Liabilities and Fund Balances	\$10,183	\$20,004	\$6,496

AMERICAN HERITAGE CHARTER SCHOOL
 Combining Balance Sheet - Nonmajor Governmental Funds
 June 30, 2014

	Total
Assets	
Cash	\$0
Receivables:	
Local Sources	0
State Sources	0
Federal Sources	36,683
Due From Other Funds	0
Total Assets	\$36,683
 Liabilities	
Accounts Payable	\$0
Due To Other Funds	15,599
Salaries & Benefits Payable	414
Unspent Grant Allocation	20,670
Total Liabilities	36,683
 Fund Balances	
Restricted:	
Special Programs	0
Unassigned	0
Total Fund Balances	0
Total Liabilities and Fund Balances	\$36,683

AMERICAN HERITAGE CHARTER SCHOOL
Combining Statement of Revenues, Expenditures, and Changes in
Fund Balances - Nonmajor Governmental Funds
Year Ended June 30, 2014

	Special Revenue Funds		
	Title I-A ESEA IBP	Special Educ. IDEA Part B School-Age	Title II-A Improving Teacher Quality
Revenues			
Local Revenue			
State Revenue			
Federal Revenue	\$14,554	\$1,786	\$10,546
Total Revenues	14,554	1,786	10,546
Expenditures			
Instructional Programs			
Elementary School	14,554		
Secondary School			
Special Education		1,786	
Support Service Programs			
Attendance - Guidance - Health			
Special Education Support Services			
Instructional Improvement			10,546
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			
Non-Instructional Programs			
Child Nutrition			
Capital Assets - Student Occupied			
Capital Assets - Non-Student Occupied			
Total Expenditures	14,554	1,786	10,546
Excess (Deficiency) of Revenues Over Expenditures	0	0	0
Other Financing Sources (Uses)			
Transfers In	0	0	0
Transfers Out	0	0	0
Total Other Financing Sources (Uses)	0	0	0
Net Change in Fund Balances	0	0	0
Fund Balances - Beginning	0	0	0
Fund Balances - Ending	\$0	\$0	\$0

AMERICAN HERITAGE CHARTER SCHOOL
Combining Statement of Revenues, Expenditures, and Changes in
Fund Balances - Nonmajor Governmental Funds
Year Ended June 30, 2014

	Total
Revenues	
Local Revenue	\$0
State Revenue	0
Federal Revenue	26,886
Total Revenues	26,886
Expenditures	
Instructional Programs	
Elementary School	14,554
Secondary School	0
Special Education	1,786
Support Service Programs	
Attendance - Guidance - Health	0
Special Education Support Services	0
Instructional Improvement	10,546
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
Non-Instructional Programs	
Child Nutrition	0
Capital Assets - Student Occupied	0
Capital Assets - Non-Student Occupied	0
Total Expenditures	26,886
Excess (Deficiency) of Revenues Over Expenditures	0
Other Financing Sources (Uses)	
Transfers In	0
Transfers Out	0
Total Other Financing Sources (Uses)	0
Net Change in Fund Balances	0
Fund Balances - Beginning	0
Fund Balances - Ending	\$0

OTHER REPORTS AND SCHEDULES

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

Board of Directors
American Heritage Charter School

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the American Heritage Charter School (the School), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated August 26, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Quest CPAs, P.C.

Payette, Idaho
August 26, 2014