

Idaho Arts Charter School, Inc.

Year Ended June 30, 2020

Audited Financial Statements



IDAHO ARTS CHARTER SCHOOL, INC.

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..... 27

Schedule of Employer’s Share of Net Pension Liability 30

Schedule of Employer Contributions..... 31

Supplementary Information

Combining Balance Sheet – Nonmajor Governmental Funds..... 32

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds..... 34

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
Idaho Arts Charter School, Inc.

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 Idaho Arts Charter School, Inc. (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 July 21, 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
July 21, 2020

IDAHO ARTS CHARTER SCHOOL, INC.

Statement of Net Position

June 30, 2020

	Governmental Activities
Assets	
Current Assets	
Cash & Investments	\$5,967,363
Receivables:	
Local Sources	33,504
State Sources	329,905
Federal Sources	39,317
Prepaid Expenses	30,992
Total Current Assets	6,401,081
Noncurrent Assets	
Nondepreciable Capital Assets	1,784,979
Depreciable Net Capital Assets	10,597,977
Total Noncurrent Assets	12,382,956
Total Assets	18,784,037
 Deferred Outflows of Resources	
Bond Sources - See Note E	865,830
Pension Deferred Outflows	700,851
Total Deferred Outflows of Resources	1,566,681
Total Assets and Deferred Outflows of Resources	\$20,350,718
 Liabilities	
Current Liabilities	
Accounts Payable	\$909
Salaries & Benefits Payable	467,440
Unspent Grant Allocation	89,785
Accrued Interest	60,431
Long-Term Debt & Obligations, Current	428,120
Total Current Liabilities	1,046,685
Noncurrent Liabilities	
Long-Term Debt & Obligations, Noncurrent	14,804,540
Net Pension Liability	1,303,155
Total Noncurrent Liabilities	16,107,695
Total Liabilities	17,154,380
 Deferred Inflows of Resources	
Pension Deferred Inflows	597,530
Total Deferred Inflows of Resources	597,530
Total Liabilities and Deferred Inflows of Resources	17,751,910
 Net Position	
Net Investment in Capital Assets	(2,044,305)
Restricted:	
Special Programs	525,091
Debt Service	1,352,838
Unrestricted	2,765,184
Total Net Position	2,598,808
Total Liabilities and Deferred Inflows of Resources and Net Position	\$20,350,718

See Accompanying Notes

IDAHO ARTS CHARTER SCHOOL, INC.

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	Capital Grants And Contributions	
Governmental Activities					
Instructional Programs					
Elementary School	\$2,483,607		\$701,439		(\$1,782,168)
Secondary School	1,407,882		308,530		(1,099,352)
Special Education	96,069		95,741		(328)
Support Service Programs					
Attendance - Guidance - Health	3,232		16,332		13,100
Special Education Support Services	156,379		63,334		(93,045)
Instruction Improvement	74,681		7,300		(67,381)
Instruction-Related Technology	185,371		149,844		(35,527)
Board of Education	13,815				(13,815)
District Administration	1,219,264		384,494		(834,770)
Administrative Technology Service	0				0
Buildings - Care	240,734		18,336		(222,398)
Maintenance - Non-Student Occupied	932				(932)
Maintenance - Student Occupied	27,455				(27,455)
Maintenance - Grounds	36,496				(36,496)
Pupil-To-School Transportation	334,052				(334,052)
Non-Instructional Programs					
Child Nutrition	431,949	\$123,462	314,641		6,154
Capital Assets - Student Occupied	319,750				(319,750)
Capital Assets - Non-Student Occupied	0				0
Debt Service - Principal	0				0
Debt Service - Interest	773,074				(773,074)
Total	<u>\$7,804,742</u>	<u>\$123,462</u>	<u>\$2,059,991</u>	<u>\$0</u>	<u>(5,621,289)</u>
General Revenues					
Local Revenues					44,913
State Revenues					7,954,392
Federal Revenues					0
Pension Revenue (Expense)					(505,950)
Total General Revenues					<u>7,493,355</u>
Change in Net Position					1,872,066
Net Position - Beginning					<u>726,742</u>
Net Position - Ending					<u>\$2,598,808</u>

IDAHO ARTS CHARTER SCHOOL, INC.

Balance Sheet - Governmental Funds

June 30, 2020

	<u>General Fund</u>	<u>Paycheck Protection Fund</u>	<u>Child Nutrition Fund</u>	<u>Bond R & I Fund</u>
Assets				
Cash & Investments	\$4,007,017		\$120,019	\$1,352,838
Receivables:				
Local Sources				
State Sources	329,905			
Federal Sources				
Prepaid Expenditures	30,992			
Due From Other Funds	39,317			
Total Assets	<u>\$4,407,231</u>	<u>\$0</u>	<u>\$120,019</u>	<u>\$1,352,838</u>
Liabilities				
Accounts Payable	\$909			
Due To Other Funds				
Salaries & Benefits Payable	441,304		\$11,827	
Unspent Grant Allocation				
Total Liabilities	<u>442,213</u>	<u>\$0</u>	<u>11,827</u>	<u>\$0</u>
Fund Balances				
Restricted:				
Special Programs			108,192	
Debt Service				1,352,838
Nonspendable	30,992			
Unassigned	3,934,026			
Total Fund Balances	<u>3,965,018</u>	<u>0</u>	<u>108,192</u>	<u>1,352,838</u>
Total Liabilities and Fund Balances	<u>\$4,407,231</u>	<u>\$0</u>	<u>\$120,019</u>	<u>\$1,352,838</u>

IDAHO ARTS CHARTER SCHOOL, INC.

Balance Sheet - Governmental Funds

June 30, 2020

	Other Governmental Funds	Total Governmental Funds
Assets		
Cash & Investments	\$487,489	\$5,967,363
Receivables:		
Local Sources	33,504	33,504
State Sources	0	329,905
Federal Sources	39,317	39,317
Prepaid Expenditures	0	30,992
Due From Other Funds	0	39,317
Total Assets	\$560,310	\$6,440,398
Liabilities		
Accounts Payable	\$0	\$909
Due To Other Funds	39,317	39,317
Salaries & Benefits Payable	14,309	467,440
Unspent Grant Allocation	89,785	89,785
Total Liabilities	143,411	597,451
Fund Balances		
Restricted:		
Special Programs	416,899	525,091
Debt Service	0	1,352,838
Nonspendable	0	30,992
Unassigned	0	3,934,026
Total Fund Balances	416,899	5,842,947
Total Liabilities and Fund Balances	\$560,310	\$6,440,398

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

Total Governmental Fund Balances	\$5,842,947
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	12,382,956
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Certain liabilities, including accrued interest, are not due and payable in the current period and therefore are not reported in the funds.	(15,293,091)
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Deferred outflow of resources related to bond refundings are not financial resources in the current period and therefore are not reported in the funds.	865,830
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Net pension liability and related pension source deferred outflow and deferred inflow of resources, are not due and payable in the current period and therefore are not reported in the funds.	(1,199,834)
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Net Position of Governmental Activities	<u><u>\$2,598,808</u></u>
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IDAHO ARTS CHARTER SCHOOL, INC.

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	\$20,090		\$123,462	\$24,823
State Revenue	7,954,392			
Federal Revenue		\$1,082,300	314,641	
Total Revenues	<u>7,974,482</u>	<u>1,082,300</u>	<u>438,103</u>	<u>24,823</u>
Expenditures				
Instructional Programs				
Elementary School	2,105,905	561,587		
Secondary School	1,282,869	308,530		
Special Education	328			
Support Service Programs				
Attendance - Guidance - Health				
Special Education Support Services	93,045			
Instruction Improvement	67,381			
Instruction-Related Technology				
Board of Education	13,815			
District Administration	766,448	193,847		
Administrative Technology Service				
Buildings - Care	222,398	18,336		
Maintenance - Non-Student Occupied	932			
Maintenance - Student Occupied	27,455			
Maintenance - Grounds	36,496			
Pupil-To-School Transportation	334,052			
Non-Instructional Programs				
Child Nutrition	11,400		420,549	
Capital Assets - Student Occupied				
Capital Assets - Non-Student Occupied				
Debt Service - Principal				270,000
Debt Service - Interest				761,065
Total Expenditures	<u>4,962,524</u>	<u>1,082,300</u>	<u>420,549</u>	<u>1,031,065</u>
Excess (Deficiency) of Revenues Over Expenditures	3,011,958	0	17,554	(1,006,242)
Other Financing Sources (Uses)				
Transfers In				1,006,968
Transfers Out	(1,006,968)			
Total Other Financing Sources (Uses)	<u>(1,006,968)</u>	<u>0</u>	<u>0</u>	<u>1,006,968</u>
Net Change in Fund Balances	2,004,990	0	17,554	726
Fund Balances - Beginning	1,960,028	0	90,638	1,352,112
Fund Balances - Ending	<u>\$3,965,018</u>	<u>\$0</u>	<u>\$108,192</u>	<u>\$1,352,838</u>

IDAHO ARTS CHARTER SCHOOL, INC.

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

	Other Governmental Funds	Total Governmental Funds
Revenues		
Local Revenue	\$190,647	\$359,022
State Revenue	166,176	8,120,568
Federal Revenue	306,227	1,703,168
Total Revenues	<u>663,050</u>	<u>10,182,758</u>
Expenditures		
Instructional Programs		
Elementary School	139,852	2,807,344
Secondary School	0	1,591,399
Special Education	95,741	96,069
Support Service Programs		
Attendance - Guidance - Health	3,232	3,232
Special Education Support Services	63,334	156,379
Instruction Improvement	7,300	74,681
Instruction-Related Technology	192,071	192,071
Board of Education	0	13,815
District Administration	355,144	1,315,439
Administrative Technology Service	0	0
Buildings - Care	0	240,734
Maintenance - Non-Student Occupied	0	932
Maintenance - Student Occupied	0	27,455
Maintenance - Grounds	0	36,496
Pupil-To-School Transportation	0	334,052
Non-Instructional Programs		
Child Nutrition	0	431,949
Capital Assets - Student Occupied	0	0
Capital Assets - Non-Student Occupied	0	0
Debt Service - Principal	0	270,000
Debt Service - Interest	0	761,065
Total Expenditures	<u>856,674</u>	<u>8,353,112</u>
Excess (Deficiency) of Revenues Over Expenditures	(193,624)	1,829,646
Other Financing Sources (Uses)		
Transfers In	0	1,006,968
Transfers Out	0	(1,006,968)
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>
Net Change in Fund Balances	(193,624)	1,829,646
Fund Balances - Beginning	610,523	4,013,301
Fund Balances - Ending	<u>\$416,899</u>	<u>\$5,842,947</u>

IDAHO ARTS CHARTER SCHOOL, INC.
Statement of Revenues, Expenditures, and Changes in
Fund Balances - Governmental Funds
Year Ended June 30, 2020

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 \$1,829,646

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. (247,375)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term debt in the statement of net position. 300,500

Deferred outflow of resources related to bond refunding and bond premiums are amortized against interest expense over the term of the bond. (12,950)

In the statement of activities, interest is accrued on long-term debt, but the expenditure is reported when due in the governmental funds. 941

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. 1,304

Change in Net Position of Governmental Activities \$1,872,066

IDAHO ARTS CHARTER SCHOOL, INC.

Statement of Fiduciary Net Position

June 30, 2020

	Agency Funds <u>Student Activity</u>
Assets	
Cash & Investments	\$160,953
Total Assets	<u>\$160,953</u>
Liabilities	
Due to Student Groups	\$160,953
Total Liabilities	<u>160,953</u>
Net Position	
Total Net Position	<u>0</u>
Total Liabilities and Net Position	<u>\$160,953</u>

IDAHO ARTS CHARTER SCHOOL, INC.
Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity – Idaho Arts Charter School, Inc. (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

IDAHO ARTS CHARTER SCHOOL, INC.
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.

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. 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

IDAHO ARTS CHARTER SCHOOL, INC.
Notes to Financial Statements

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 the local government investment pool, reported and measured at amortized cost following the provisions of GASB 79 which provide for consistent measurement of investment value amongst pool participants. Investments also include U.S. government securities and are stated at fair value using quoted market prices (Level 1) or best available estimate.

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. Restricted net position consists of assets that are restricted by creditors, grantors, contributors, legislation,

IDAHO ARTS CHARTER SCHOOL, INC.
Notes to Financial Statements

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.

IDAHO ARTS CHARTER SCHOOL, INC.
Notes to Financial Statements

B. CASH AND INVESTMENTS

Cash and investments consist of the following at year end:

	<u>Governmental Funds</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash - Deposits	\$4,061,139	\$160,953	\$4,222,092
Investments - Local Gov't Investment Pool	553,386		553,386
Investments - U.S. Government Securities	1,352,838		1,352,838
Total	<u>\$5,967,363</u>	<u>\$160,953</u>	<u>\$6,128,316</u>

Deposits – At year end, the carrying amounts of the School's deposits were \$4,222,092 and the bank balances were \$4,278,179. 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:

<u>Investment Type</u>	<u>Investment Maturity Schedule (In Years)</u>	
	<u>Less Than 1</u>	<u>Total</u>
Local Gov't Invest Pool	\$553,386	\$553,386
U.S. Gov't Securities	1,352,838	1,352,838
Total	<u>\$1,906,224</u>	<u>\$1,906,224</u>

Credit rate risk (Moody's rating scale):

<u>Investment Type</u>	<u>Investment Rating Schedule</u>		
	<u>AAA</u>	<u>Not Rated</u>	<u>Total</u>
Local Gov't Invest Pool		\$553,386	\$553,386
U.S. Gov't Securities	\$1,352,838		1,352,838
Total	<u>\$1,352,838</u>	<u>\$553,386</u>	<u>\$1,906,224</u>

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.

The local government investment pool is managed by the state treasurer's office and is invested in accordance with state statutes and regulations. The local government investment pool is not registered with the SEC and is a short-term investment pool. The state treasurer's office investment policy for the local government investment pool includes the following three primary objectives in order of priority: safety, liquidity, and yield. Participants have overnight availability to their funds, up to \$10 million. Withdrawals of \$10 million or more require three business days' notification. More information on the local

IDAHO ARTS CHARTER SCHOOL, INC.
Notes to Financial Statements

governmental investment pool including regulatory information, ratings, and risk information can be found at www.sto.idaho.gov.

C. RECEIVABLES

Receivables consist of the following at year end:

	General Fund	Special Revenue Funds	Total
Local Sources			
Reimbursements		\$33,504	\$33,504
Total		\$33,504	\$33,504
State Sources			
Special Programs	\$908		\$908
Foundation Program	328,997		328,997
Total	\$329,905		\$329,905
Federal Sources			
Special Programs		\$39,317	\$39,317
Total		\$39,317	\$39,317

D. CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Nondepreciable Capital Assets				
Land	\$1,784,979			\$1,784,979
Total	1,784,979	\$0	\$0	1,784,979
Depreciable Capital Assets				
Buildings	12,300,721	45,330		12,346,051
Equipment	1,195,752	27,045		1,222,797
Subtotal	13,496,473	72,375	0	13,568,848
Accumulated Depreciation				
Buildings	1,908,851	246,921		2,155,772
Equipment	742,270	72,829		815,099
Subtotal	2,651,121	319,750	0	2,970,871
Total	10,845,352	(247,375)	0	10,597,977
Net Capital Assets	\$12,630,331	(\$247,375)	\$0	\$12,382,956

Depreciation expense of \$319,750 was charged to the capital assets – student occupied program.

IDAHO ARTS CHARTER SCHOOL, INC.
Notes to Financial Statements

E. LONG-TERM DEBT & OBLIGATIONS

Bond Refunding in Previous Year – During the 2016/17 year, the School advance refunded its 2008 facility revenue bond issues with 2016 facility revenue bond issues. The principle amount of the bonds refunded was \$6,675,000.

The advance refunding of the 2008 series bonds with the new 2016 bonds resulted in a difference between the net carrying amount of the redeemed/defeased bonds (i.e. 2008 series) and the cost/reacquisition price of the new bonds (i.e. 2016 series) of \$1,048,182 which is reflected as a deferred outflow of resources in the statement of net position and being amortized over the life the bonds.

	Deferred Outflows of Resources
Difference between the net carrying amount of the redeemed/defeased bonds (i.e. 2008 series) and the cost/reacquisition price of the new bonds (i.e. 2016 series)	\$865,830
Total	\$865,830

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

	Outstanding
2012 - \$2,175,000 - facilities revenue bonds (taxable and tax exempt issuances) for capital improvements due in semiannual installments with interest at 2.00% - 6.00% through 2042/43, secured by real estate, paid through the bond redemption & interest fund	\$1,895,000
2015 - \$5,920,000 - facilities revenue bonds (taxable and tax exempt issuances) for capital improvements due in semiannual installments with interest at 5.00% - 5.35% through 2046/47, secured by real estate, paid through the bond redemption & interest fund	5,740,000
2016A - \$6,890,000 - facilities revenue refunding bonds (tax exempt) due in semiannual installments with interest at 4.00% - 5.00% through 2038/39, secured by real estate, paid through the bond redemption & interest fund	6,890,000
Total	\$14,525,000

IDAHO ARTS CHARTER SCHOOL, INC.
Notes to Financial Statements

Maturities on the bonds are estimated as follows:

<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>
6/30/21	\$365,000	\$716,614
6/30/22	405,000	699,225
6/30/23	420,000	680,680
6/30/24	440,000	661,344
6/30/25	455,000	641,213
6/30/26-30	2,660,000	2,853,026
6/30/31-35	3,400,000	2,086,668
6/30/36-40	3,735,000	1,123,900
6/30/41-45	1,915,000	417,325
6/30/46-47	730,000	37,000
Total	<u><u>\$14,525,000</u></u>	<u><u>\$9,916,995</u></u>

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

Note payable due in annual payments of \$30,500 without interest through 2021/22, secured by real estate, paid through the Albertsons fund	<u>\$61,000</u>
Total	<u><u>\$61,000</u></u>

Maturities on the note payable are estimated as follows:

<u>Year Ended</u>	<u>Principal</u>
6/30/21	\$30,500
6/30/22	30,500
Total	<u><u>\$61,000</u></u>

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

<u>Description</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
2012 F.R. Bonds	\$1,940,000		\$45,000	\$1,895,000	\$45,000
2015 F.R. Bonds	5,815,000		75,000	5,740,000	90,000
2016A F.R. Bonds	6,890,000			6,890,000	230,000
2016B F.R. Bonds	150,000		150,000	0	
Note Payable	91,500		30,500	61,000	30,500
Bond Premium	679,280		32,620	646,660	32,620
Total	<u><u>\$15,565,780</u></u>	<u><u>\$0</u></u>	<u><u>\$333,120</u></u>	<u><u>\$15,232,660</u></u>	<u><u>\$428,120</u></u>

Interest and related costs during the year amounted to \$773,074 and were charged to the debt service – interest program in the statement of activities.

IDAHO ARTS CHARTER SCHOOL, INC.
Notes to Financial Statements

F. PENSION PLAN

Plan Description

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

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 \$507,254 for the year ended June 30, 2020.

IDAHO ARTS CHARTER SCHOOL, INC.
Notes to Financial Statements

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 0.1141644 percent.

For the year ended June 30, 2020, the School recognized pension revenue (expense) of (\$505,950). 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	\$121,108	\$153,583
Changes in assumptions or other inputs	72,489	
Net difference between projected and actual earnings on pension plan investments		443,947
Employer contributions subsequent to the measurement date	507,254	
Total	\$700,851	\$597,530

\$700,851 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		(\$46,925)
6/30/22		(201,041)
6/30/23		(97,930)
6/30/24		(58,037)
Total		(\$403,933)

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

IDAHO ARTS CHARTER SCHOOL, INC.
Notes to Financial Statements

included in the actuarial valuation is allocated as a level percentage of each year's earnings of the individual between entry age and assumed exit age. The Base Plan amortizes any unfunded actuarial accrued liability based on a level percentage of payroll. The maximum amortization period for the Base Plan permitted under Section 59-1322, Idaho Code, is 25 years.

The total pension liability in the June 30, 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.

IDAHO ARTS CHARTER SCHOOL, INC.
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.

IDAHO ARTS CHARTER SCHOOL, INC.

Notes to Financial Statements

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:

	1% Decrease (6.05%)	Current Discount Rate (7.05%)	1% Increase (8.05%)
School's proportionate share of the net pension liability (asset)	\$3,936,030	\$1,303,155	(\$874,149)

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.

G. INTERFUND BALANCES AND TRANSFERS

Interfund balances at year end consist of the following:

	Due From Fund	
	Governmental	Total
Due To Fund		
General	\$39,317	\$39,317
Total	\$39,317	\$39,317

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.

IDAHO ARTS CHARTER SCHOOL, INC.
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		\$1,006,968	Debt Service
Bond R & I	\$1,006,968		Debt Service
Total	<u>\$1,006,968</u>	<u>\$1,006,968</u>	

IDAHO ARTS CHARTER SCHOOL, INC.

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

General Fund	Budgeted Amounts (GAAP Basis)		Actual Amounts	Final Budget Variance Positive (Negative)
	Original	Final		
Revenues				
Local Revenue	\$5,500	\$5,500	\$20,090	\$14,590
State Revenue	7,716,705	7,716,705	7,954,392	237,687
Federal Revenue	0	0	0	0
Total Revenues	<u>7,722,205</u>	<u>7,722,205</u>	<u>7,974,482</u>	<u>252,277</u>
Expenditures				
Instructional Programs				
Elementary School	2,732,299	2,732,299	2,105,905	626,394
Secondary School	1,708,905	1,708,905	1,282,869	426,036
Special Education	0	0	328	(328)
Support Service Programs				
Attendance - Guidance - Health	0	0	0	0
Special Education Support Services	85,000	85,000	93,045	(8,045)
Instruction Improvement	91,615	91,615	67,381	24,234
Instruction-Related Technology	0	0	0	0
Board of Education	11,150	11,150	13,815	(2,665)
District Administration	1,107,498	1,107,498	766,448	341,050
Administrative Technology Service	0	0	0	0
Buildings - Care	270,070	270,070	222,398	47,672
Maintenance - Non-Student Occupied	0	0	932	(932)
Maintenance - Student Occupied	40,000	40,000	27,455	12,545
Maintenance - Grounds	50,000	50,000	36,496	13,504
Pupil-To-School Transportation	390,000	390,000	334,052	55,948
Non-Instructional Programs				
Child Nutrition	7,500	7,500	11,400	(3,900)
Capital Assets - Student Occupied	0	0	0	0
Capital Assets - Non-Student Occupied	0	0	0	0
Debt Service - Principal	0	0	0	0
Debt Service - Interest	0	0	0	0
Total Expenditures	<u>6,494,037</u>	<u>6,494,037</u>	<u>4,962,524</u>	<u>1,531,513 *</u>
Excess (Deficiency) of Revenues Over Expenditures	1,228,168	1,228,168	3,011,958	1,783,790
Other Financing Sources (Uses)				
Transfers In	0	0	0	0
Transfers Out	(1,033,059)	(1,033,059)	(1,006,968)	26,091 *
Total Other Financing Sources (Uses)	<u>(1,033,059)</u>	<u>(1,033,059)</u>	<u>(1,006,968)</u>	<u>26,091</u>
Net Change in Fund Balances	195,109	195,109	2,004,990	1,809,881
Fund Balances - Beginning	1,716,605	1,716,605	1,960,028	243,423
Fund Balances - Ending	<u>\$1,911,714</u>	<u>\$1,911,714</u>	<u>\$3,965,018</u>	<u>\$2,053,304</u>
				<u>\$1,557,604</u>

*Total expenditures (over) under appropriations are:

IDAHO ARTS CHARTER SCHOOL, INC.

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

Paycheck Protection Fund	Budgeted Amounts (GAAP Basis)		Actual Amounts	Final Budget Variance Positive (Negative)
	Original	Final		
Revenues				
Local Revenue	\$0	\$0	\$0	\$0
State Revenue	0	0	0	0
Federal Revenue	0	0	1,082,300	1,082,300
Total Revenues	<u>0</u>	<u>0</u>	<u>1,082,300</u>	<u>1,082,300</u>
Expenditures				
Instructional Programs				
Elementary School	0	0	561,587	(561,587)
Secondary School	0	0	308,530	(308,530)
Special Education	0	0	0	0
Support Service Programs				
Attendance - Guidance - Health	0	0	0	0
Special Education Support Services	0	0	0	0
Instruction Improvement	0	0	0	0
Instruction-Related Technology	0	0	0	0
Board of Education	0	0	0	0
District Administration	0	0	193,847	(193,847)
Administrative Technology Service	0	0	0	0
Buildings - Care	0	0	18,336	(18,336)
Maintenance - Non-Student Occupied	0	0	0	0
Maintenance - Student Occupied	0	0	0	0
Maintenance - Grounds	0	0	0	0
Pupil-To-School Transportation	0	0	0	0
Non-Instructional Programs				
Child Nutrition	0	0	0	0
Capital Assets - Student Occupied	0	0	0	0
Capital Assets - Non-Student Occupied	0	0	0	0
Debt Service - Principal	0	0	0	0
Debt Service - Interest	0	0	0	0
Total Expenditures	<u>0</u>	<u>0</u>	<u>1,082,300</u>	<u>(1,082,300) *</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	0	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	0	0	0	0
Fund Balances - Beginning	0	0	0	0
Fund Balances - Ending	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

*Total expenditures (over) under appropriations are: (\$1,082,300)

IDAHO ARTS CHARTER SCHOOL, INC.

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

Child Nutrition Fund	Budgeted Amounts (GAAP Basis)		Actual Amounts	Final Budget Variance Positive (Negative)
	Original	Final		
Revenues				
Local Revenue	\$150,000	\$150,000	\$123,462	(\$26,538)
Federal Revenue	310,000	310,000	314,641	4,641
Total Revenues	<u>460,000</u>	<u>460,000</u>	<u>438,103</u>	<u>(21,897)</u>
Expenditures				
Non-Instructional Programs				
Child Nutrition	460,000	460,000	420,549	39,451
Total Expenditures	<u>460,000</u>	<u>460,000</u>	<u>420,549</u>	<u>39,451</u> *
Excess (Deficiency) of Revenues				
Over Expenditures	0	0	17,554	17,554
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	17,554	17,554
Fund Balances - Beginning	81,335	81,335	90,638	9,303
Fund Balances - Ending	<u>\$81,335</u>	<u>\$81,335</u>	<u>\$108,192</u>	<u>\$26,857</u>

*Total expenditures (over) under appropriations are: \$39,451

IDAHO ARTS CHARTER SCHOOL, INC.
Schedule of Employer's Share of Net Pension Liability
PERSI - Base Plan
Last 10 - Fiscal Years*

	2019
School's portion of the net pension liability	0.1141644%
School's proportionate share of the net pension liability	\$1,303,155
School's covered payroll	\$3,877,491
School's proportional share of the net pension liability as a percentage of its covered payroll	33.61%
Plan fiduciary net position as a percentage of the total pension liability	93.79%

	2018	2017	2016	2015	2014
School's portion of the net pension liability	0.1098943%	0.1024505%	0.0818867%	0.0804677%	0.0762439%
School's proportionate share of the net pension liability	\$1,620,960	\$1,610,346	\$1,659,969	\$1,059,629	\$561,274
School's covered payroll	\$3,535,707	\$3,182,041	\$2,394,938	\$2,253,878	\$2,065,548
School's proportional share of the net pension liability as a percentage of its covered payroll	45.85%	50.61%	69.31%	47.01%	27.17%
Plan fiduciary net position as a percentage of the total pension liability	91.69%	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.

IDAHO ARTS CHARTER SCHOOL, INC.
Schedule of Employer Contributions
PERSI - Base Plan
Last 10 - Fiscal Years*

	2020
Statutorily required contribution	\$507,254
Contributions in relation to the statutorily required contribution	\$507,254
Contribution deficiency (excess)	<u>\$0</u>
School's covered payroll	<u>\$4,248,358</u>
Contributions as a percentage of covered payroll	11.94%

	2019	2018	2017	2016	2015
Statutorily required contribution	\$438,932	\$400,242	\$360,207	\$271,107	\$255,139
Contributions in relation to the statutorily required contribution	\$438,932	\$400,242	\$360,207	\$271,107	\$255,139
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School's covered payroll	<u>\$3,877,491</u>	<u>\$3,535,707</u>	<u>\$3,182,041</u>	<u>\$2,394,938</u>	<u>\$2,253,878</u>
Contributions as a percentage of covered payroll	11.32%	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.

IDAHO ARTS CHARTER SCHOOL, INC.
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2020

	Special Revenue Funds			
	Albertsons	Technology	Substance Abuse	Title I-A ESSA IBP
Assets				
Cash & Investments	\$462,945		\$24,544	
Receivables:				
Local Sources	33,504			
State Sources				
Federal Sources				\$19,474
Prepaid Expenditures				
Due From Other Funds				
Total Assets	<u>\$496,449</u>	<u>\$0</u>	<u>\$24,544</u>	<u>\$19,474</u>
Liabilities				
Accounts Payable				
Due To Other Funds				\$19,474
Salaries & Benefits Payable	\$14,309			
Unspent Grant Allocation	89,785			
Total Liabilities	<u>104,094</u>	<u>\$0</u>	<u>\$0</u>	<u>19,474</u>
Fund Balances				
Restricted:				
Special Programs	392,355		24,544	
Debt Service				
Nonspendable				
Unassigned				
Total Fund Balances	<u>392,355</u>	<u>0</u>	<u>24,544</u>	<u>0</u>
Total Liabilities and Fund Balances	<u>\$496,449</u>	<u>\$0</u>	<u>\$24,544</u>	<u>\$19,474</u>

IDAHO ARTS CHARTER SCHOOL, INC.
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2020

	Special Revenue Funds			Total
	IDEA Part B 611 School Age 3-21	School Based Medicaid	Title II-A ESSA SEI	
Assets				
Cash & Investments				\$487,489
Receivables:				
Local Sources				33,504
State Sources				0
Federal Sources	\$19,843			39,317
Prepaid Expenditures				0
Due From Other Funds				0
Total Assets	<u>\$19,843</u>	<u>\$0</u>	<u>\$0</u>	<u>\$560,310</u>
Liabilities				
Accounts Payable				\$0
Due To Other Funds	\$19,843			39,317
Salaries & Benefits Payable				14,309
Unspent Grant Allocation				89,785
Total Liabilities	<u>19,843</u>	<u>\$0</u>	<u>\$0</u>	<u>143,411</u>
Fund Balances				
Restricted:				
Special Programs				416,899
Debt Service				0
Nonspendable				0
Unassigned				0
Total Fund Balances	<u>0</u>	<u>0</u>	<u>0</u>	<u>416,899</u>
Total Liabilities and Fund Balances	<u>\$19,843</u>	<u>\$0</u>	<u>\$0</u>	<u>\$560,310</u>

IDAHO ARTS CHARTER SCHOOL, INC.
 Combining Statement of Revenues, Expenditures, and Changes in
 Fund Balances - Nonmajor Governmental Funds
 Year Ended June 30, 2020

	Special Revenue Funds			Title I-A ESSA IBP
	Albertsons	Technology	Substance Abuse	
Revenues				
Local Revenue	\$190,647			
State Revenue		\$149,844	\$16,332	
Federal Revenue				\$139,852
Total Revenues	<u>190,647</u>	<u>149,844</u>	<u>16,332</u>	<u>139,852</u>
Expenditures				
Instructional Programs				
Elementary School				139,852
Secondary School				
Special Education				
Support Service Programs				
Attendance - Guidance - Health			3,232	
Special Education Support Services				
Instruction Improvement				
Instruction-Related Technology		192,071		
Board of Education				
District Administration	355,144			
Administrative Technology Service				
Buildings - Care				
Maintenance - Non-Student Occupied				
Maintenance - Student Occupied				
Maintenance - Grounds				
Pupil-To-School Transportation				
Non-Instructional Programs				
Child Nutrition				
Capital Assets - Student Occupied				
Capital Assets - Non-Student Occupied				
Debt Service - Principal				
Debt Service - Interest				
Total Expenditures	<u>355,144</u>	<u>192,071</u>	<u>3,232</u>	<u>139,852</u>
Excess (Deficiency) of Revenues Over Expenditures	(164,497)	(42,227)	13,100	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	(164,497)	(42,227)	13,100	0
Fund Balances - Beginning	556,852	42,227	11,444	0
Fund Balances - Ending	<u>\$392,355</u>	<u>\$0</u>	<u>\$24,544</u>	<u>\$0</u>

IDAHO ARTS CHARTER SCHOOL, INC.
Combining Statement of Revenues, Expenditures, and Changes in
Fund Balances - Nonmajor Governmental Funds
Year Ended June 30, 2020

	Special Revenue Funds			Total
	IDEA Part B 611 School Age 3-21	School Based Medicaid	Title II-A ESSA SEI	
Revenues				
Local Revenue				\$190,647
State Revenue				166,176
Federal Revenue	\$95,741	\$63,334	\$7,300	306,227
Total Revenues	<u>95,741</u>	<u>63,334</u>	<u>7,300</u>	<u>663,050</u>
Expenditures				
Instructional Programs				
Elementary School				139,852
Secondary School				0
Special Education	95,741			95,741
Support Service Programs				
Attendance - Guidance - Health				3,232
Special Education Support Services		63,334		63,334
Instruction Improvement			7,300	7,300
Instruction-Related Technology				192,071
Board of Education				0
District Administration				355,144
Administrative Technology Service				0
Buildings - Care				0
Maintenance - Non-Student Occupied				0
Maintenance - Student Occupied				0
Maintenance - Grounds				0
Pupil-To-School Transportation				0
Non-Instructional Programs				
Child Nutrition				0
Capital Assets - Student Occupied				0
Capital Assets - Non-Student Occupied				0
Debt Service - Principal				0
Debt Service - Interest				0
Total Expenditures	<u>95,741</u>	<u>63,334</u>	<u>7,300</u>	<u>856,674</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	0	(193,624)
Other Financing Sources (Uses)				
Transfers In				0
Transfers Out				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	0	(193,624)
Fund Balances - Beginning	0	0	0	610,523
Fund Balances - Ending	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$416,899</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
Idaho Arts Charter School, Inc.

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 Idaho Arts Charter School, Inc. (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 July 21, 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
July 21, 2020