

**ALTURAS INTERNATIONAL ACADEMY**

**AUDITED FINANCIAL STATEMENTS**

**Year Ended June 30, 2017**

ALTURAS INTERNATIONAL ACADEMY

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**FINANCIAL SECTION**

Audits  
Taxes  
Special Services



11501 Highway 95  
Payette, Idaho 83661  
www.qcpas.com  
info@qcpas.com  
P: 208-642-1417  
F: 208-642-1582

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## Independent Auditor's Report

Board of Directors  
Alturas International Academy

### 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 Alturas International Academy (the School) as of and for the year ended June 30, 2017, 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 believes the costs of implementing GASB 45 (having actuarial calculations performed for other post-employment benefits) cannot be justified at this time. Accounting principles generally accepted in the United States of America require that a liability be recorded for other post-employment benefits, which would decrease net position, increase liabilities, and increase expenses in the governmental activities. The amount by which this departure would affect net position, liabilities, and expenses in the governmental activities 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, 2017, 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, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

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

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

#### *Other Information*

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

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

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2017, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

#### ***Quest CPAs PLLC***

Payette, Idaho  
September 19, 2017

## **BASIC FINANCIAL STATEMENTS**

**ALTURAS INTERNATIONAL ACADEMY**

Statement of Net Position

June 30, 2017

	<b>Governmental Activities</b>
<b>Assets</b>	
Current Assets	
Cash	\$168,872
Receivables:	
Local Sources	1,500
State Sources	98,633
Federal Sources	38,214
Total Current Assets	<u>307,219</u>
Noncurrent Assets	
Nondepreciable Capital Assets	0
Depreciable Net Capital Assets	6,764
Total Noncurrent Assets	<u>6,764</u>
<b>Total Assets</b>	<u>313,983</u>
<b>Deferred Outflows of Resources</b>	
Pension Sources	58,808
<b>Total Deferred Outflows of Resources</b>	<u>58,808</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<u><u>\$372,791</u></u>
<b>Liabilities</b>	
Current Liabilities	
Accounts Payable	\$26,211
Salaries & Benefits Payable	115,763
Total Current Liabilities	<u>141,974</u>
<b>Total Liabilities</b>	<u>141,974</u>
<b>Net Position</b>	
Net Investment in Capital Assets	6,764
Restricted:	
Special Programs	1,462
Unrestricted	222,591
<b>Total Net Position</b>	<u>230,817</u>
<b>Total Liabilities and Net Position</b>	<u><u>\$372,791</u></u>

# ALTURAS INTERNATIONAL ACADEMY

## Statement of Activities Year Ended June 30, 2017

<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>
<b>Governmental Activities</b>					
Instructional Programs					
Elementary School	\$828,190		\$230,095		(\$598,095)
Special Education	72,740		38,214		(34,526)
Support Service Programs					
Board of Education	0				0
District Administration	118				(118)
School Administration	145,502				(145,502)
Business Operation	21,361				(21,361)
Buildings - Care	32,892				(32,892)
Maintenance - Student Occupied	488,739		325,000		(163,739)
Maintenance - Grounds	5,291				(5,291)
Pupil-To-School Transportation	116,787				(116,787)
Non-Instructional Programs					
Child Nutrition	22,328	\$22,328			0
Capital Assets - Student Occupied	752				(752)
<b>Total</b>	<b>\$1,734,700</b>	<b>\$22,328</b>	<b>\$593,309</b>	<b>\$0</b>	<b>(1,119,063)</b>
<b>General Revenues</b>					
Local Revenue					41,927
State Revenue					1,307,953
Federal Revenue					0
<b>Total</b>					<b>1,349,880</b>
<b>Change in Net Position</b>					230,817
<b>Net Position - Beginning</b>					0
<b>Net Position - Ending</b>					<b>\$230,817</b>

ALTURAS INTERNATIONAL ACADEMY

Balance Sheet - Governmental Funds

June 30, 2017

	<b>General Fund</b>	<b>Albertsons Fund</b>	<b>Child Nutrition Fund</b>	<b>Other Governmental Funds</b>
<b>Assets</b>				
Cash	\$167,222		\$188	\$1,462
Receivables:				
Local Sources	1,500			0
State Sources	98,633			0
Federal Sources				38,214
Due From Other Funds	38,175			0
<b>Total Assets</b>	<b>\$305,530</b>	<b>\$0</b>	<b>\$188</b>	<b>\$39,676</b>
<b>Liabilities</b>				
Accounts Payable	\$25,984		\$188	\$39
Due To Other Funds				38,175
Salaries & Benefits Payable	115,763			0
<b>Total Liabilities</b>	<b>141,747</b>	<b>\$0</b>	<b>188</b>	<b>38,214</b>
<b>Fund Balances</b>				
Restricted:				
Special Programs				1,462
Unassigned	163,783			0
<b>Total Fund Balances</b>	<b>163,783</b>	<b>0</b>	<b>0</b>	<b>1,462</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$305,530</b>	<b>\$0</b>	<b>\$188</b>	<b>\$39,676</b>

**ALTURAS INTERNATIONAL ACADEMY**

Balance Sheet - Governmental Funds

June 30, 2017

	<b>Total Governmental Funds</b>
<b>Assets</b>	
Cash	\$168,872
Receivables:	
Local Sources	1,500
State Sources	98,633
Federal Sources	38,214
Due From Other Funds	38,175
<b>Total Assets</b>	<u><u>\$345,394</u></u>
<b>Liabilities</b>	
Accounts Payable	\$26,211
Due To Other Funds	38,175
Salaries & Benefits Payable	115,763
<b>Total Liabilities</b>	<u>180,149</u>
<b>Fund Balances</b>	
Restricted:	
Special Programs	1,462
Unassigned	163,783
<b>Total Fund Balances</b>	<u>165,245</u>
<b>Total Liabilities and Fund Balances</b>	<u><u>\$345,394</u></u>

Balance Sheet - Governmental Funds

June 30, 2017

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

<b>Total Governmental Fund Balances</b>	\$165,245
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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.	6,764
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Deferred outflow of resources are not available in the current period and therefore are not reported in the funds.	58,808
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<b>Net Position of Governmental Activities</b>	<u><u>\$230,817</u></u>
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**ALTURAS INTERNATIONAL ACADEMY**  
Statement of Revenues, Expenditures, and Changes in  
Fund Balances - Governmental Funds  
Year Ended June 30, 2017

	<u>General Fund</u>	<u>Albertsons Fund</u>	<u>Child Nutrition Fund</u>	<u>Other Governmental Funds</u>
<b>Revenues</b>				
Local Revenue	\$204,248	\$325,000	\$22,328	\$24,890
State Revenue	1,307,953			42,884
Federal Revenue				38,214
<b>Total Revenues</b>	<u>1,512,201</u>	<u>325,000</u>	<u>22,328</u>	<u>105,988</u>
<b>Expenditures</b>				
Instructional Programs				
Elementary School	828,493			61,312
Special Education	39,235			38,214
Support Service Programs				
Board of Education				0
District Administration	118			0
School Administration	145,502			0
Business Operation	21,361			0
Buildings - Care	32,892			0
Maintenance - Student Occupied	488,739			0
Maintenance - Grounds	5,291			0
Pupil-To-School Transportation	116,787			0
Non-Instructional Programs				
Child Nutrition			22,328	0
Capital Assets - Student Occupied				0
<b>Total Expenditures</b>	<u>1,678,418</u>	<u>0</u>	<u>22,328</u>	<u>99,526</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	(166,217)	325,000	0	6,462
<b>Other Financing Sources (Uses)</b>				
Transfers In	330,000			0
Transfers Out		(325,000)		(5,000)
<b>Total Other Financing Sources (Uses)</b>	<u>330,000</u>	<u>(325,000)</u>	<u>0</u>	<u>(5,000)</u>
<b>Net Change in Fund Balances</b>	163,783	0	0	1,462
<b>Fund Balances - Beginning</b>	0	0	0	0
<b>Fund Balances - Ending</b>	<u>\$163,783</u>	<u>\$0</u>	<u>\$0</u>	<u>\$1,462</u>

**ALTURAS INTERNATIONAL ACADEMY**  
Statement of Revenues, Expenditures, and Changes in  
Fund Balances - Governmental Funds  
Year Ended June 30, 2017

	<u><b>Total Governmental Funds</b></u>
<b>Revenues</b>	
Local Revenue	\$576,466
State Revenue	1,350,837
Federal Revenue	38,214
<b>Total Revenues</b>	<u>1,965,517</u>
<b>Expenditures</b>	
Instructional Programs	
Elementary School	889,805
Special Education	77,449
Support Service Programs	
Board of Education	0
District Administration	118
School Administration	145,502
Business Operation	21,361
Buildings - Care	32,892
Maintenance - Student Occupied	488,739
Maintenance - Grounds	5,291
Pupil-To-School Transportation	116,787
Non-Instructional Programs	
Child Nutrition	22,328
Capital Assets - Student Occupied	0
<b>Total Expenditures</b>	<u>1,800,272</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	165,245
<b>Other Financing Sources (Uses)</b>	
Transfers In	330,000
Transfers Out	(330,000)
<b>Total Other Financing Sources (Uses)</b>	<u>0</u>
<b>Net Change in Fund Balances</b>	165,245
<b>Fund Balances - Beginning</b>	0
<b>Fund Balances - Ending</b>	<u><u>\$165,245</u></u>

**ALTURAS INTERNATIONAL ACADEMY**  
Statement of Revenues, Expenditures, and Changes in  
Fund Balances - Governmental Funds  
Year Ended June 30, 2017

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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** \$165,245

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.

6,764

Changes in pension source deferred outflow of resources do not provide or require current financial resources and therefore are not reflected in the funds.

58,808

**Change in Net Position of Governmental Activities**

\$230,817

**ALTURAS INTERNATIONAL ACADEMY**  
Notes to Financial Statements

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**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity** – Alturas International Academy (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.

**ALTURAS INTERNATIONAL ACADEMY**  
Notes to Financial Statements

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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.

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 Albertsons fund, which is used to account for certain funding for general operations, and child nutrition fund, which serves to account for providing nutritional meals to 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.

**ALTURAS INTERNATIONAL ACADEMY**  
Notes to Financial Statements

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**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 paid to the general fund unless Idaho Code specifies otherwise.

**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** – 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.

**Pensions** – For purposes of information about the fiduciary net position of the Public Employee Retirement System of Idaho Base Plan (the Base Plan), 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, 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

**ALTURAS INTERNATIONAL ACADEMY**  
Notes to Financial Statements

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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 Form 990, Return of Organization Exempt from Income Tax, for the fiscal years ending 2017, 2016, and 2015 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.

**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.

**ALTURAS INTERNATIONAL ACADEMY**

Notes to Financial Statements

**B. CASH**

Cash consists of the following at year end:

Cash - Deposits	\$168,872
<b>Total</b>	<u><u>\$168,872</u></u>

**Deposits** – At year end, the carrying amounts of the School's deposits were \$168,872 and the bank balances were \$172,008. The bank balances were insured.

**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>	<u>Total</u>
Local Sources			
Other Local Sources	\$1,500		\$1,500
<b>Total</b>	<u><u>\$1,500</u></u>		<u><u>\$1,500</u></u>
State Sources			
Foundation Program	\$98,633		\$98,633
<b>Total</b>	<u><u>\$98,633</u></u>		<u><u>\$98,633</u></u>
Federal Sources			
Special Programs		\$38,214	\$38,214
<b>Total</b>		<u><u>\$38,214</u></u>	<u><u>\$38,214</u></u>

**ALTURAS INTERNATIONAL ACADEMY**  
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
<b>Total</b>	<u>0</u>	<u>\$0</u>	<u>\$0</u>	<u>0</u>
Depreciable Capital Assets				
Buildings	0			0
Equipment	0	7,516		7,516
Subtotal	<u>0</u>	<u>7,516</u>	<u>0</u>	<u>7,516</u>
Accumulated Depreciation				
Buildings	0			0
Equipment	0	752		752
Subtotal	<u>0</u>	<u>752</u>	<u>0</u>	<u>752</u>
<b>Total</b>	<u>0</u>	<u>6,764</u>	<u>0</u>	<u>6,764</u>
<b>Net Capital Assets</b>	<u>\$0</u>	<u>\$6,764</u>	<u>\$0</u>	<u>\$6,764</u>

Depreciation expense of \$752 was charged to the capital assets – student occupied program.

**ALTURAS INTERNATIONAL ACADEMY**  
Notes to Financial Statements

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**E. OPERATING LEASES**

The School had two operating leases for premises during the year. The first lease's term was from July 1, 2016 through June 30, 2017 and required monthly payments of \$10,000. The second lease's term is from November 28, 2016 to June 30, 2037 and has provisions for additional extensions. The second lease requires quarterly payments whose annual total is equal to a percentage of the facility's total project cost. The second lease required total lease payments of \$325,000 during the year.

Future minimum lease payments are estimated as follows:

<b>Year Ended</b>	
6/30/18	\$475,000
6/30/19	525,000
6/30/20	525,000
6/30/21	525,000
6/30/22	576,000
6/30/23-27	3,905,280
6/30/28-32	4,424,026
6/30/33-37	4,512,509
<b>Total</b>	<b><u><u>\$15,467,815</u></u></b>

**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](http://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.

# ALTURAS INTERNATIONAL ACADEMY

## Notes to Financial Statements

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### *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, 2016 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 \$58,808 for the year ended June 30, 2017.

### *Deferred Outflows of Resources Related to Pensions*

At June 30, 2017, the School reported deferred outflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>
Employer contributions subsequent to the measurement date	<u>\$58,808</u>
<b>Total</b>	<u><u>\$58,808</u></u>

**ALTURAS INTERNATIONAL ACADEMY**

Notes to Financial Statements

\$58,808 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 plan pension expense or reduction of the plan pension revenue in the year ending June 30, 2018.

*Pension plan fiduciary net position*

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERSI financial report.

PERSI issues a publicly available financial report that includes financial statements and the required supplementary information for PERSI. That report may be obtained on the PERSI website at [www.persi.idaho.gov](http://www.persi.idaho.gov).

**G. INTERFUND BALANCES AND TRANSFERS**

Interfund balances at year end consist of the following:

<b>Due To Fund</b>	<b>Due From Fund</b>	
	Nonmajor Governmental	<b>Total</b>
General	\$38,175	\$38,175
<b>Total</b>	<b>\$38,175</b>	<b>\$38,175</b>

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.

Interfund transfers during the year consist of the following:

<b>Fund</b>	<b>Transfer In</b>	<b>Transfer Out</b>	<b>Purpose</b>
General	\$330,000		Support
Albertsons		\$325,000	Support
Nonmajor Governmental		5,000	Support
<b>Total</b>	<b>\$330,000</b>	<b>\$330,000</b>	

**REQUIRED SUPPLEMENTARY INFORMATION**

ALTURAS INTERNATIONAL ACADEMY

Budgetary Comparison Schedule -  
General and Major Special Revenue Funds  
Year Ended June 30, 2017

General Fund	Budgeted Amounts (GAAP Basis)		Actual Amounts	Final Budget Variance Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Local Revenue	\$0	\$0	\$204,248	\$204,248
State Revenue	1,295,870	1,295,870	1,307,953	12,083
Federal Revenue	0	0	0	0
<b>Total Revenues</b>	<u>1,295,870</u>	<u>1,295,870</u>	<u>1,512,201</u>	<u>216,331</u>
<b>Expenditures</b>				
Instructional Programs				
Elementary School	693,773	693,773	828,493	(134,720)
Special Education	38,870	38,870	39,235	(365)
Support Service Programs				
Board of Education	10,500	10,500	0	10,500
District Administration	0	0	118	(118)
School Administration	178,521	178,521	145,502	33,019
Business Operation	19,500	19,500	21,361	(1,861)
Buildings - Care	37,000	37,000	32,892	4,108
Maintenance - Student Occupied	159,600	159,600	488,739	(329,139)
Maintenance - Grounds	0	0	5,291	(5,291)
Pupil-To-School Transportation	124,015	124,015	116,787	7,228
Non-Instructional Programs				
Child Nutrition	15,976	15,976	0	15,976
Capital Assets - Student Occupied	0	0	0	0
<b>Total Expenditures</b>	<u>1,277,755</u>	<u>1,277,755</u>	<u>1,678,418</u>	<u>(400,663) *</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	18,115	18,115	(166,217)	(184,332)
<b>Other Financing Sources (Uses)</b>				
Transfers In	0	0	330,000	330,000
Transfers Out			0	0 *
<b>Total Other Financing Sources (Uses)</b>	<u>0</u>	<u>0</u>	<u>330,000</u>	<u>330,000</u>
<b>Net Change in Fund Balances</b>	18,115	18,115	163,783	145,668
<b>Fund Balances - Beginning</b>	0	0	0	0
<b>Fund Balances - Ending</b>	<u>\$18,115</u>	<u>\$18,115</u>	<u>\$163,783</u>	<u>\$145,668</u>

\*Total expenditures (over) under appropriations.

(\$400,663)

Budgetary Comparison Schedule -  
General and Major Special Revenue Funds  
Year Ended June 30, 2017

Albertsons Fund	Budgeted Amounts (GAAP Basis)		Actual Amounts	Final Budget Variance Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Local Revenue	\$0	\$0	\$325,000	\$325,000
State Revenue	0	0	0	0
Federal Revenue	0	0	0	0
<b>Total Revenues</b>	<u>0</u>	<u>0</u>	<u>325,000</u>	<u>325,000</u>
<b>Expenditures</b>				
Instructional Programs				
Elementary School	0	0	0	0
Special Education	0	0	0	0
Support Service Programs				
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
Buildings - Care	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
<b>Total Expenditures</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u> *
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	0	0	325,000	325,000
<b>Other Financing Sources (Uses)</b>				
Transfers In	0	0	0	0
Transfers Out	0	0	(325,000)	(325,000) *
<b>Total Other Financing Sources (Uses)</b>	<u>0</u>	<u>0</u>	<u>(325,000)</u>	<u>(325,000)</u>
<b>Net Change in Fund Balances</b>	0	0	0	0
<b>Fund Balances - Beginning</b>	0	0	0	0
<b>Fund Balances - Ending</b>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

\*Total expenditures (over) under appropriations.

(\$325,000)

Budgetary Comparison Schedule -  
General and Major Special Revenue Funds  
Year Ended June 30, 2017

<b>Child Nutrition Fund</b>	<b>Budgeted Amounts (GAAP Basis)</b>		<b>Actual Amounts</b>	<b>Final Budget Variance Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Local Revenue	\$100,875	\$100,875	\$22,328	(\$78,547)
State Revenue	0	0	0	0
Federal Revenue	0	0	0	0
<b>Total Revenues</b>	<u>100,875</u>	<u>100,875</u>	<u>22,328</u>	<u>(78,547)</u>
<b>Expenditures</b>				
Instructional Programs				
Elementary School	0	0	0	0
Special Education	0	0	0	0
Support Service Programs				
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
Buildings - Care	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	116,851	116,851	22,328	94,523
Capital Assets - Student Occupied	0	0	0	0
<b>Total Expenditures</b>	<u>116,851</u>	<u>116,851</u>	<u>22,328</u>	<u>94,523</u> *
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	(15,976)	(15,976)	0	15,976
<b>Other Financing Sources (Uses)</b>				
Transfers In	15,976	15,976	0	(15,976)
Transfers Out	0	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<u>15,976</u>	<u>15,976</u>	<u>0</u>	<u>(15,976)</u>
<b>Net Change in Fund Balances</b>	0	0	0	0
<b>Fund Balances - Beginning</b>	0	0	0	0
<b>Fund Balances - Ending</b>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
				<u>\$94,523</u>

\*Total expenditures (over) under appropriations.

**ALTURAS INTERNATIONAL ACADEMY**

Schedule of Employer Contributions

PERSI - Base Plan

Last 10 - Fiscal Years\*

	<u>2017</u>
Statutorily required contribution	\$58,808
Contributions in relation to the statutorily required contribution	\$58,808
Contribution deficiency (excess)	<u>\$0</u>
School's covered payroll	<u>\$519,505</u>
Contributions as a percentage of covered payroll	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.

**SUPPLEMENTARY INFORMATION**

**ALTURAS INTERNATIONAL ACADEMY**  
Combining Balance Sheet - Nonmajor Governmental Funds  
June 30, 2017

	<b>Special Revenue Funds</b>			<b>Total</b>
	<b>Technology</b>	<b>Substance Abuse</b>	<b>Special Educ. IDEA Part B School-Age</b>	
<b>Assets</b>				
Cash		\$1,462		\$1,462
Receivables:				
Local Sources				0
State Sources				0
Federal Sources			\$38,214	38,214
Due From Other Funds				0
<b>Total Assets</b>	<u>\$0</u>	<u>\$1,462</u>	<u>\$38,214</u>	<u>\$39,676</u>
<b>Liabilities</b>				
Accounts Payable			\$39	\$39
Due To Other Funds			38,175	38,175
Salaries & Benefits Payable				0
<b>Total Liabilities</b>	<u>\$0</u>	<u>\$0</u>	<u>38,214</u>	<u>\$38,214</u>
<b>Fund Balances</b>				
Restricted:				
Special Programs		1,462		1,462
Unassigned				0
<b>Total Fund Balances</b>	<u>0</u>	<u>1,462</u>	<u>0</u>	<u>1,462</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$0</u>	<u>\$1,462</u>	<u>\$38,214</u>	<u>\$39,676</u>

**ALTURAS INTERNATIONAL ACADEMY**  
Combining Statement of Revenues, Expenditures, and Changes in  
Fund Balances - Nonmajor Governmental Funds  
Year Ended June 30, 2017

	<u>Special Revenue Funds</u>			<u>Total</u>
	<u>Technology</u>	<u>Substance Abuse</u>	<u>Special Educ. IDEA Part B School-Age</u>	
<b>Revenues</b>				
Local Revenue	\$24,890			\$24,890
State Revenue	40,884	\$2,000		42,884
Federal Revenue			\$38,214	38,214
<b>Total Revenues</b>	<u>65,774</u>	<u>2,000</u>	<u>38,214</u>	<u>105,988</u>
<b>Expenditures</b>				
Instructional Programs				
Elementary School	60,774	538		61,312
Special Education			38,214	38,214
Support Service Programs				
Board of Education				0
District Administration				0
School Administration				0
Business Operation				0
Buildings - Care				0
Maintenance - Student Occupied				0
Maintenance - Grounds				0
Pupil-To-School Transportation				0
Non-Instructional Programs				
Child Nutrition				0
Capital Assets - Student Occupied				0
<b>Total Expenditures</b>	<u>60,774</u>	<u>538</u>	<u>38,214</u>	<u>99,526</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	5,000	1,462	0	6,462
<b>Other Financing Sources (Uses)</b>				
Transfers In				0
Transfers Out	(5,000)			(5,000)
<b>Total Other Financing Sources (Uses)</b>	<u>(5,000)</u>	<u>0</u>	<u>0</u>	<u>(5,000)</u>
<b>Net Change in Fund Balances</b>	0	1,462	0	1,462
<b>Fund Balances - Beginning</b>	0	0	0	0
<b>Fund Balances - Ending</b>	<u>\$0</u>	<u>\$1,462</u>	<u>\$0</u>	<u>\$1,462</u>

## **OTHER REPORTS**

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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  
Performed in Accordance With *Government Auditing Standards***

Board of Directors  
Alturas International Academy

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 Alturas International Academy (the School), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated September 19, 2017.

**Internal Control Over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

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

### **Purpose of this Report**

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

### ***Quest CPAs PLLC***

Payette, Idaho  
September 19, 2017