



Harris & Co. PLLC

CERTIFIED PUBLIC ACCOUNTANTS

**Idaho Connects Online School
(No. 469)**

**Financial Statements
Year Ended June 30, 2017**

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IDAHO CONNECTS ONLINE SCHOOL NO. 469

TITLE PAGE

**5680 E. Franklin Road, Suite 200
Nampa, Idaho 83687**

Board of Trustees

David High	Chairman
Jack McMahon	Trustee
Collette Wilkes	Trustee
Henry Reents	Trustee
Linda Hendricks	Trustee

Administrators

Vickie McCullough	Superintendent
Dorian Bell	Business Manager



INDEPENDENT AUDITORS' REPORT

Board of Trustees
Idaho Connects Online School No. 469
Nampa, Idaho

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Idaho Connects Online School No. 469 (the Charter) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Charter's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Basis for Qualified Opinion

Management did not obtain an actuarial valuation for the other post-employment benefit (OPEB) liability which should be accounted for in the Statement of Net Position. Accordingly, no OPEB liability is recorded on the Statement of Net Position. Accounting principles generally accepted in the United States of America require a liability to be recorded based on an updated actuarial valuation. It also requires certain updated disclosures regarding the contribution rates, annual required contribution, the net OPEB obligation and expense, and the unfunded actuarial accrued liability. The amount by which the departure would affect net position, liabilities, expenses and disclosures is not reasonably determinable.

Qualified Opinion

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinion” paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Idaho Connects Online School No. 469, as of June 30, 2017, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Accounting principles generally accepted in the United States of America require that the schedules of employer’s share of net pension liability and of employer contributions, and budgetary comparison information on pages 29 through 31 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquires, 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.

Other Information

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

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2017, on our consideration of the Charter's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Charter's internal control over financial reporting and compliance.

Harris & Co. PLLC

Meridian, Idaho
October 30, 2017

BASIC FINANCIAL STATEMENTS

IDAHO CONNECTS ONLINE SCHOOL NO. 469

STATEMENT OF NET POSITION

June 30, 2017

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 1,283,464
Intergovernmental receivables	319,652
Prepaid expenses	<u>102,134</u>
Total Assets	<u>1,705,250</u>
Deferred Outflows of Resources - Pensions	<u>599,123</u>
Liabilities	
Accounts payable	29,686
Accrued payroll liabilities	115,215
Long-term liabilities, due beyond one year: Net pension liability	<u>675,231</u>
Total Liabilities	<u>820,132</u>
Deferred Inflows of Resources - Pensions	<u>220,842</u>
Net Position	
Restricted for:	
Special revenue funds	55,563
Unrestricted	<u>1,207,836</u>
Total Net Position	<u>\$ 1,263,399</u>

See notes to financial statements.

IDAHO CONNECTS ONLINE SCHOOL NO. 469

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2017

	Program Revenues				
	Charges for	Operating	Capital		Net (Expense)
Expenses	Services and	Grants and	Grants and	Contributions	Revenue and
	Sales	Contributions	Contributions		Changes in Net
					Position
Primary Government:					
Governmental activities:					
Instruction	\$ 1,121,865	\$ 17,920	\$ 0	\$ 0	\$ (1,103,945)
Support services	<u>792,604</u>	<u>0</u>	<u>35,308</u>	<u>0</u>	<u>(757,296)</u>
Total Governmental Activities	<u>\$ 1,914,469</u>	<u>\$ 17,920</u>	<u>\$ 35,308</u>	<u>\$ 0</u>	(1,861,241)
General Revenues:					
State sources					1,997,436
Earnings on investments					523
Other					<u>23,840</u>
Total General Revenues					<u>2,021,799</u>
Change in Net Position					160,558
Net Position, Beginning of Year					<u>1,102,841</u>
Net Position, End of Year					<u>\$ 1,263,399</u>

See notes to financial statements.

IDAHO CONNECTS ONLINE SCHOOL NO. 469

**BALANCE SHEET -
GOVERNMENTAL FUNDS**

June 30, 2017

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Cash and cash equivalents	\$ 1,227,901	\$ 55,563	\$ 1,283,464
Intergovernmental receivables, net	280,867	38,785	319,652
Due from other funds	38,785	0	38,785
Prepaid expenses and other assets	<u>102,134</u>	<u>0</u>	<u>102,134</u>
Total Assets	<u>\$ 1,649,687</u>	<u>\$ 94,348</u>	<u>\$ 1,744,035</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 29,686	\$ 0	\$ 29,686
Accrued payroll liabilities	115,215	0	115,215
Due to other funds	<u>0</u>	<u>38,785</u>	<u>38,785</u>
Total Liabilities	<u>144,901</u>	<u>38,785</u>	<u>183,686</u>
Fund Balances:			
Nonspendable	102,134	0	102,134
Restricted	0	55,563	55,563
Unassigned	<u>1,402,652</u>	<u>0</u>	<u>1,402,652</u>
Total Fund Balances	<u>1,504,786</u>	<u>55,563</u>	<u>1,560,349</u>
Total Liabilities and Fund Balances	<u>\$ 1,649,687</u>	<u>\$ 94,348</u>	<u>\$ 1,744,035</u>

See notes to financial statements.

IDAHO CONNECTS ONLINE SCHOOL NO. 469

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION**

June 30, 2017

Total Fund Balances – Governmental Funds	\$ 1,560,349
Deferred outflows of resources are not reported in the funds, and represent changes in pension assumptions (\$15,010), changes in the employer’s proportion and contributions and differences between the employer’s contributions and the employer’s proportionate contributions (\$328,648), District contributions to the pension subsequent to the measurement date (\$139,386), and changes in the employer’s proportionate share (\$116,079).	599,123
The District’s proportionate share of net pension liabilities are recognized in the government-wide statements.	(675,231)
Deferred inflows of resources are not reported in the funds, and represent the net difference between projected and actual investment earnings and actual experience on pension plan investments.	<u>(220,842)</u>
Total Net Position – Governmental Activities	<u>\$ 1,263,399</u>

See notes to financial statements.

IDAHO CONNECTS ONLINE SCHOOL NO. 469

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS**

For the Year Ended June 30, 2017

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues			
State	\$ 1,949,376	\$ 48,060	\$ 1,997,436
Grants and contributions	0	35,308	35,308
Earnings on investments	523	0	523
Other	<u>21,720</u>	<u>0</u>	<u>21,720</u>
Total Revenues	<u>1,971,619</u>	<u>83,368</u>	<u>2,054,987</u>
Expenditures			
Current:			
Instruction	1,091,948	29,917	1,121,865
Support services	<u>745,134</u>	<u>47,470</u>	<u>792,604</u>
Total Expenditures	<u>1,837,082</u>	<u>77,387</u>	<u>1,914,469</u>
Net Change in Fund Balances	134,537	5,981	140,518
Fund Balances – Beginning	<u>1,370,249</u>	<u>49,582</u>	<u>1,419,831</u>
Fund Balances - Ending	<u>\$ 1,504,786</u>	<u>\$ 55,563</u>	<u>\$ 1,560,349</u>

See notes to financial statements.

IDAHO CONNECTS ONLINE SCHOOL NO. 469

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE TO THE
STATEMENT OF ACTIVITIES**

For the Year Ended June 30, 2017

Total Net Change in Fund Balance – Governmental Funds	\$	140,518
Pension revenue		<u>20,040</u>
Change in Net Position of Governmental Activities	\$	<u>160,558</u>

See notes to financial statements.

IDAHO CONNECTS ONLINE SCHOOL NO. 469

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The accompanying financial statements present the activities of Idaho Connects Online School No. 469 (the Charter). The Charter receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the Charter is not included in any other governmental reporting entity as defined by generally accepted accounting principles. Board members are volunteers and have decision-making authority, the power to designate management, the ability to significantly influence operation, and the primary accountability for fiscal matters. In addition, the Charter's reporting entity does not contain any component units.

Basis of Presentation

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

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

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

IDAHO CONNECTS ONLINE SCHOOL NO. 469

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Basis of Accounting

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

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

Fund Balance Reporting and Governmental Funds

Different measurement focuses and basis of accounting are used in the government-wide Statement of Net Position and in the Governmental Fund Balance Sheet.

IDAHO CONNECTS ONLINE SCHOOL NO. 469

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

IDAHO CONNECTS ONLINE SCHOOL NO. 469

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash Equivalents

A “Pooled Cash” concept is used in maintaining the cash and investment accounts in the accounting records. Under this method, all cash is pooled for investment purposes and each fund has equity in the pooled amount. All amounts included in the pooled cash and investment accounts are considered to be cash and cash equivalents.

Prepaid Expenses

Prepaid balances are for payments made by the Charter in the current year to provide services occurring in the subsequent year, and the reserve for prepaid expenses has been recorded to signify that a portion of fund balance is not available for other subsequent expenditures.

Receivables

All trade and other receivables are shown net of an allowance for uncollectible amounts. As of June 30, 2017, no allowance was considered necessary for intergovernmental receivables.

Capital Assets

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed assets are reported at estimated fair value at the time received. Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements are shown below.

	Capitalization <u>Policy</u>	Depreciation <u>Method</u>	Estimated <u>Useful Life</u>
Buildings and Improvements	\$ 5,000	Straight-line	20-50 years
Equipment	\$ 5,000	Straight-line	3-10 years

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

At June 30, 2017, the Charter has no capital assets which were required to be capitalized.

IDAHO CONNECTS ONLINE SCHOOL NO. 469

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Payable

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

Income Taxes

The Charter is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and comparable state law. Accordingly, no provision for income taxes is made in the financial statements.

Uncertain Tax Positions

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Charter may recognize tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for fiscal year 2017. The Charter files Form 990 in the U.S. federal jurisdiction. The Charter is generally no longer subject to examination by the Internal Revenue Service for years before 2013.

Pensions

The Charter uses GASB Statement No. 68, Accounting and Financial Reporting for Pensions (GASB 68) on the government-wide statements to recognize the net pension asset (liability), deferred outflows and deferred inflows of resources, pension expense (revenue), and information about and changes in the fiduciary net position on the same basis as reported by the respective defined benefit pension plans. The Charter's participation in the plans is mandated by State law and includes the Public Employee Retirement System of Idaho (PERSI). The Systems recognize benefit payments when due and payable in accordance with benefit terms; investment assets are reported at fair value.

IDAHO CONNECTS ONLINE SCHOOL NO. 469

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2017

NOTE B - CASH AND INVESTMENTS

Deposits

As of June 30, 2017, the carrying amount of the Charter's deposits was \$1,283,464 and the respective bank balances totaled \$1,304,626, of the total bank balance \$250,000 was covered by federal depository insurance.

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

	<u>Governmental Activities</u>
Cash and Cash Equivalents	<u>\$ 1,283,464</u>

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. As of June 30, 2017, \$1,054,626 of the Charter's deposits was not covered by the federal depository insurance and was exposed to custodial credit risk. The Charter does not have a formal policy limiting its exposure to custodial credit risk.

Custodial Credit Risk – Investments

Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligations. The Charter does not have a formal policy limiting its exposure to custodial credit risk.

Interest Rate Risk

The Charter does not have a formal policy limiting investment maturities that would help manage its exposure to fair value losses from increasing interest rates.

Investments

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

IDAHO CONNECTS ONLINE SCHOOL NO. 469

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2017

NOTE B - CASH AND INVESTMENTS (continued)

Investments (Continued)

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

The Charter had no investments as of June 30, 2017.

NOTE C - INTERGOVERNMENTAL RECEIVABLES

Amounts due from other governments consist of \$319,652, as appropriations from the State of Idaho for school support and agreed-upon tuition fees from other Idaho school districts.

NOTE D - PENSION PLAN

Plan Description

Idaho Connects Online School No. 469 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.

Employee membership data related to the PERSI Base Plan, as of June 30, 2016, was as follows:

Retirees and beneficiaries currently receiving benefits	44,181
Terminated employees entitled to but not yet receiving benefits	12,251
Active plan members	<u>68,517</u>
	<u>124,949</u>

IDAHO CONNECTS ONLINE SCHOOL NO. 469

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2017

NOTE D - PENSION PLAN (continued)

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. Amounts in parenthesis represent police/firefighters.

The benefit payments for the Base Plan are calculated using a benefit formula adopted by the Idaho Legislature. The Base Plan is required to provide a 1% minimum cost of living increase per year provided the Consumer Price Index increases 1% or more. The PERSI Board has the authority to provide higher cost of living increases to a maximum of the Consumer Price Index movement or 6%, whichever is less; however, any amount above the 1% minimum is subject to review by the Idaho Legislature.

Member and Employer Contributions

Member and employer contributions paid to the Base Plan are set by statute and are established as a percent of covered compensation and earnings from investments. Contribution rates are determined by the PERSI Board within limitations, as defined by state law. The Board may make periodic changes to employer and employee contribution rates (expressed as percentages of annual covered payroll) if current rates are actuarially determined to be inadequate or in excess to accumulate sufficient assets to pay benefits when due.

The contribution rates for employees are set by statute at 60% (72%) of the employer rate. As of June 30, 2017 it was 6.79% (8.36%). The employer contribution rate is set by the Retirement Board and was 11.32% (11.66%) of covered compensation. Idaho Connects Online School No. 469 contributions were \$139,386 for the year ended June 30, 2017.

IDAHO CONNECTS ONLINE SCHOOL NO. 469

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2017

NOTE D - PENSION PLAN (continued)

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

At June 30, 2017, Idaho Connects Online School No. 469 reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Idaho Connects Online School No. 469's proportion of the net pension liability was based on Idaho Connects Online School No. 469 share of contributions in the Base Plan pension plan relative to the total contributions of all participating PERSI Base Plan employers. At June 30, 2016, Idaho Connects Online School No. 469 proportion was 0.03331 percent.

For the year ended June 30, 2017, Idaho Connects Online School No. 469 recognized pension revenue of \$20,040. At June 30, 2017, Idaho Connects Online School No. 469 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of resources</u>	<u>Deferred Inflows of resources</u>
Differences between expected and actual experience	\$ 0	\$ 67,282
Changes in assumptions or other inputs	15,010	
Net difference between projected and actual Earnings on pension plan investments	328,648	153,560
Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate contributions	116,079	0
Idaho Connects Online School contributions subsequent to the measurement date	<u>139,386</u>	<u>0</u>
Total	<u>\$ 599,123</u>	<u>\$ 220,842</u>

\$139,386 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017.

IDAHO CONNECTS ONLINE SCHOOL NO. 469

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2017

NOTE D - PENSION PLAN (continued)

The average of the expected remaining service lives of all employees that are provided with pensions through the System (active and inactive employees) determined at July 1, 2015, the beginning of the measurement period ended June 30, 2016, is 4.9 years and 5.5 years for the measurement period ended June 30, 2015.

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

Year Ending <u>June 30,</u>	<u>Amount</u>
2017	\$ 686
2018	686
2019	78,338
2020	43,106
2021	0

Actuarial Assumptions

Valuations are based on actuarial assumptions, the benefit formulas, and employee groups. Level percentages of payroll normal costs are determined using the Entry Age Normal Cost Method. Under the Entry Age Normal Cost Method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated as a level percentage of each year's earnings of the individual between entry age and assumed exit age. The Base Plan amortizes any unfunded actuarial accrued liability based on a level percentage of payroll. The maximum amortization period for the Base Plan permitted under Section 59-1322, Idaho Code, is 25 years.

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%
Salary increases	4.25 – 10.00%
Salary inflation	3.75%
Investment rate of return, net of investment expenses	7.10%
Cost-of-living adjustments	1.00%

IDAHO CONNECTS ONLINE SCHOOL NO. 469

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2017

NOTE D - PENSION PLAN (continued)

Mortality rates were based on the RP – 2000 combined table for healthy males or females as appropriate with the following offsets:

- Set back 3 years for teachers
- No offset for male fire and police
- Forward one year for female fire and police
- Set back one year for all general employees and all beneficiaries

An experience study was performed for the period July 1, 2007 through June 30, 2013 which reviewed all economic and demographic assumptions other than mortality. Mortality and all economic assumptions were studied in 2014 for the period from July 1, 2009 through June 30, 2013. The Total Pension Liability as of June 30, 2016, is based on the results of an actuarial valuation date July 1, 2016.

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

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

The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are as of January 1, 2016.

IDAHO CONNECTS ONLINE SCHOOL NO. 469

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2017

NOTE D - PENSION PLAN (continued)

Capital Market Assumptions

Asset Class	Expected Return	Expected Risk	Strategic Normal	Strategic Ranges
Equities			70%	66% - 77%
Broad Domestic Equity	9.15%	19.00%	55%	50% - 65%
International	9.25%	20.20%	15%	10% - 20%
Fixed Income	3.05%	3.75%	30%	23% - 33%
Cash	2.25%	0.90%	0%	0% - 5%
Total Fund	Expected Return	Expected Inflation	Expected Real Return	Expected Risk
Actuary	7.00%	3.25%	3.75%	N/A
Portfolio	6.58%	2.25%	4.33%	12.67%

*Expected arithmetic return net of fees and expenses.

Actuarial Assumptions:

Assumed Inflation - Mean	3.25%
Assumed Inflation – Standard Deviation	2.00%
Portfolio Arithmetic Mean Return	8.42%
Portfolio Long-Term Expected Geometric Rate of Return	7.50%
Assumed Investment Expenses	<u>0.40%</u>
Long-Term Expected Geometric Rate of Return Net of Investment Expenses	7.10%

Discount Rate

The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate. Based on these assumptions, the pension plans' net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term expected rate of return was determined net of pension plan investment expense but without reduction for pension plan administrative expense.

IDAHO CONNECTS ONLINE SCHOOL NO. 469

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2017

NOTE D - PENSION PLAN (continued)

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

The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 7.10 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10 percent) or 1-percentage-point higher (8.10 percent) than the current rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
Employer's proportionate share Of the net pension liability (asset)	\$ 1,324,563	\$ 675,231	\$ 135,239

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.

Payables to the pension plan

At June 30, 2017, Idaho Connects Online School No. 469 reported payables to the defined benefit pension plan of \$22,020 for legally required employer contributions and \$8,935 for legally required employee contributions which had been withheld from employee wages but not yet remitted to PERSI.

IDAHO CONNECTS ONLINE SCHOOL NO. 469

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2017

NOTE E - RISK MANAGEMENT

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

NOTE F - LEASE COMMITMENTS

The Charter leases office space in Nampa, Idaho. The lease period is for five years, ending July 31, 2022. Payments are due monthly and escalate on an annual basis. Rent expenditures for the year ended June 30, 2017, were \$43,207. Future minimum lease payments are as follows:

Year Ending <u>June 30,</u>	<u>Amount</u>
2018	\$ 38,294
2019	42,541
2020	43,392
2021	44,260
2022	45,145
Thereafter	<u>3,768</u>
	<u>\$ 217,400</u>

REQUIRED SUPPLEMENTARY INFORMATION

IDAHO CONNECTS ONLINE SCHOOL NO. 469
BUDGETARY (GAAP BASIS) COMPARISON SCHEDULE
GENERAL FUND

For the Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
State	\$ 1,892,400	\$ 1,892,400	\$ 1,949,376	\$ 56,976
Earnings on investments	250	250	523	273
Other	<u>5,000</u>	<u>5,000</u>	<u>21,720</u>	<u>16,720</u>
Total Revenue	1,897,650	1,897,650	1,971,619	73,969
Expenditures				
Current:				
Instruction	1,184,676	1,184,676	1,091,948	92,728
Support services	<u>712,974</u>	<u>712,974</u>	<u>745,134</u>	<u>(32,160)</u>
Total Expenditures	<u>1,897,650</u>	<u>1,897,650</u>	<u>1,837,082</u>	<u>60,568</u>
Net Change in Fund Balances	0	0	134,537	134,537
Fund Balances – Beginning	<u>1,487,994</u>	<u>1,487,994</u>	<u>1,370,249</u>	<u>(117,745)</u>
Fund Balances – Ending	<u>\$ 1,487,994</u>	<u>\$ 1,487,994</u>	<u>\$ 1,504,786</u>	<u>\$ 16,792</u>

IDAHO CONNECTS ONLINE SCHOOL NO. 469

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2017

NOTE A - BUDGETS AND BUDGETARY ACCOUNTING

The charter follows these procedures in establishing the budgetary data reflected in the financial statements:

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

IDAHO CONNECTS ONLINE SCHOOL NO. 469

**SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY AND
EMPLOYER CONTRIBUTIONS**

For the Year Ended June 30, 2017

**Schedule of Employer's Share of Net Pension Liability
PERSI – Base Plan
Last 10 – Fiscal Years ***

	2016	2015
Employer's portion of net the pension liability	0.03331%	0.02620%
Employer's proportionate share of the net pension liability	\$675,231	\$345,061
Employer's covered-employee payroll	\$980,448	\$743,705
Employer's proportionate share of net pension liability as a percentage of its covered-employee payroll	68.87%	46.40%
Plan fiduciary net position as a percentage of total pension liability	87.26%	91.38%

* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those use for which information is available.

Data reported is measured as of June 30, 2016 (measurement date)

**Schedule of Employer Contributions
PERSI – Base Plan
Last 10 – Fiscal Years ***

	2016	2015
Statutorily required contribution	\$110,987	\$84,187
Contributions in relation to statutorily required contribution	\$111,081	\$83,084
Contribution (deficiency) excess	\$94	(\$1,103)
Employer's covered-employee payroll	\$980,448	743,705
Contributions as a percentage of covered-employee payroll	11.33%	11.17%

* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those use for which information is available.

Data reported is measured as of June 30, 2017.

SUPPLEMENTARY INFORMATION

IDAHO CONNECTS ONLINE SCHOOL NO. 469

COMBINING BALANCE SHEET – NONMAJOR SPECIAL REVENUE FUNDS

June 30, 2017

	<u>Technology</u>	<u>Students Come First PD Grant</u>	<u>Students Come First Mobile Grant</u>	<u>Title VI-B IDEA</u>
Assets				
Cash and cash equivalents	\$ 42,213	\$ 7,259	\$ 3,000	\$ 0
Intergovernmental Receivables, net	<u>0</u>	<u>0</u>	<u>0</u>	<u>34,152</u>
Total Assets	<u><u>\$ 42,213</u></u>	<u><u>\$ 7,259</u></u>	<u><u>\$ 3,000</u></u>	<u><u>\$ 34,152</u></u>
Liabilities				
Accounts payable	\$ 0	\$ 0	\$ 0	\$ 0
Due to other funds	<u>0</u>	<u>0</u>	<u>0</u>	<u>34,152</u>
Total liabilities	0	0	0	34,152
Fund Balance				
Restricted	<u>42,213</u>	<u>7,259</u>	<u>3,000</u>	<u>0</u>
Total Liabilities and Fund Balances	<u><u>\$ 42,213</u></u>	<u><u>\$ 7,259</u></u>	<u><u>\$ 3,000</u></u>	<u><u>\$ 34,152</u></u>

<u>Professional Development</u>	<u>State Drug Free Schools</u>	<u>AXA Foundation</u>	<u>Total</u>
\$ 2,091	\$ 0	\$ 1,000	\$ 55,563
<u>0</u>	<u>4,633</u>	<u>0</u>	<u>38,785</u>
<u>\$ 2,091</u>	<u>\$ 4,633</u>	<u>\$ 1,000</u>	<u>\$ 94,348</u>
\$ 0	0	0	\$ 0
<u>0</u>	<u>4,633</u>	<u>0</u>	<u>38,785</u>
0	4,633	0	38,785
<u>2,091</u>	<u>0</u>	<u>1,000</u>	<u>55,563</u>
<u>\$ 2,091</u>	<u>\$ 4,633</u>	<u>\$ 1,000</u>	<u>\$ 94,348</u>

IDAHO CONNECTS ONLINE SCHOOL NO. 469

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS**

For the Year Ended June 30, 2017

	<u>Technology</u>	<u>Students Come First PD Grant</u>	<u>Students Come First Mobile Grant</u>	<u>Title VI-B IDEA</u>
Revenues				
State	\$ 43,427	\$ 0	\$ 0	\$ 0
Grants and contributions	<u>0</u>	<u>0</u>	<u>0</u>	<u>34,308</u>
Total Revenues	<u>43,427</u>	<u>0</u>	<u>0</u>	<u>34,308</u>
Expenditures				
Current:				
Instruction	29,917	0	0	0
Support Services	<u>0</u>	<u>0</u>	<u>0</u>	<u>34,308</u>
Total Expenditures	<u>29,917</u>	<u>0</u>	<u>0</u>	<u>34,308</u>
Net Change in Fund Balances	13,510	0	0	0
Fund Balances, Beginning	<u>28,703</u>	<u>7,259</u>	<u>3,000</u>	<u>0</u>
Fund Balances, Ending	<u>\$ 42,213</u>	<u>\$ 7,259</u>	<u>\$ 3,000</u>	<u>\$ 0</u>

<u>Professional Development</u>	<u>State Drug Free Schools</u>	<u>AXA Foundation</u>	<u>Total</u>
\$ 0	\$ 4,633	\$ 0	\$ 48,060
<u>0</u>	<u>0</u>	<u>1,000</u>	<u>35,308</u>
<u>0</u>	<u>4,633</u>	<u>1,000</u>	<u>83,368</u>
0	0	0	29,917
<u>0</u>	<u>13,162</u>	<u>0</u>	<u>47,470</u>
<u>0</u>	<u>13,162</u>	<u>0</u>	<u>77,387</u>
0	(8,529)	1,000	5,981
<u>2,091</u>	<u>8,529</u>	<u>0</u>	<u>49,582</u>
<u>\$ 2,091</u>	<u>\$ 0</u>	<u>\$ 1,000</u>	<u>\$ 55,563</u>

FEDERAL REPORT



Harris & Co. PLLC

CERTIFIED PUBLIC ACCOUNTANTS

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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
Idaho Connects Online School No. 469
Boise, Idaho

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Idaho Connects Online School No. 469 as of and for the year ended June 30, 2017, and the related notes to the financial statements, and have issued our report thereon dated October 30, 2017.

In our report, our opinion on the financial statements was qualified, as discussed in the "Basis for Qualified Opinion" paragraph in the report on the financial statements, management did not obtain an updated actuarial valuation for the other-post-employment benefit (OPEB) liability. As a result, the OPEB liability recorded on the Statement of Net Position has not been updated for current year assumptions or changes.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Idaho Connects Online School No. 469'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 Charter's internal control. Accordingly, we do not express an opinion on the effectiveness of the Charter's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Idaho Connects Online School No. 469'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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Harris & Co. PLLC

Meridian, Idaho
October 30, 2017