



Financial Statements
June 30, 2021

Nevada Connections Academy

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Independent Auditor's Report

To the Members of the Board
Nevada Connections Academy
Reno, Nevada

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the general fund information of Nevada Connections Academy (the Academy) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Academy'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 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund information of Nevada Connections Academy, as of June 30, 2021, 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 management's discussion and analysis on pages 4-7, budgetary comparison information on page 30, pension information, and other postemployment benefit (OPEB) information on pages 31, 32 and 33, respectively, 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 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 management discussion and analysis, pension information, and OPEB 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.

The budgetary comparison information is the responsibility of management and was derived from and relates directly to 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 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 budgetary comparison information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Nevada Connections Academy's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is not a required part of the financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was 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 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 schedule of expenditures of federal awards is 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 October 25, 2021, on our consideration of the Nevada Connections Academy'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 solely 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 effectiveness of Nevada Connections Academy's 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 Nevada Connections Academy's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Reno, Nevada
October 25, 2021

NEVADA CONNECTIONS ACADEMY
Management's Discussion and Analysis
For the Year Ended June 30, 2021

As management of the Nevada Connections Academy, we offer readers of the school's financial statements this narrative overview and analysis of the financial activities of Nevada Connections Academy for the fiscal year ended June 30, 2021. Please read it in conjunction with Nevada Connections Academy's financial statements, which immediately follow this section.

Financial Highlights

- The assets and deferred outflows of resources of Nevada Connections Academy were less than its liabilities and deferred inflows of resources at the close of the fiscal year by \$3,880,436.
- Distributive State Account (DSA) revenue, the largest component of State revenue, was \$10,388,359, a decrease of \$15,597,239 from the prior year's \$25,985,598.

Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to Nevada Connections Academy's basic financial statements. Nevada Connections Academy's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information in addition to the basic financial statements that will enhance the reader's understanding of the financial condition.

Government-Wide Financial Statements: The government-wide financial statements are designed to provide readers with a broad overview of Nevada Connections Academy's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of Nevada Connections Academy's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference reported as net position. Over time, increases or decreases in the net position may serve as a useful indicator of whether the financial position of Nevada Connections Academy is improving or deteriorating.

The statement of activities presents information showing how Nevada Connections Academy's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenue and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of Nevada Connections Academy that are principally supported by the State of Nevada per-pupil funding. The governmental activities of Nevada Connections Academy include instruction, administrative, student support services, and operation of facilities. The government-wide financial statements can be found on pages 8 and 9 of this report.

Fund Financial Statements: A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Nevada Connections Academy uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Nevada Connections Academy uses only governmental funds.

Governmental Funds: Governmental funds are used to account for essentially the same functions reported as government activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating Nevada Connections Academy's near-term financing requirements.

NEVADA CONNECTIONS ACADEMY
Management's Discussion and Analysis
For the Year Ended June 30, 2021

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for government activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of Nevada Connections Academy's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenue, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 11 and 13, respectively.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund which is considered to be a major fund. The basic governmental fund financial statements can be found on pages 10 and 12 of this report.

Notes to the Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 14 of this report.

Other Information: In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning pension information, OPEB information, and Nevada Connections Academy's budget process. Nevada Connections Academy adopts an annual budget and a budgetary comparison is included in the supplementary information section of this report.

Government-Wide Financial Analysis

The following presents a summary of Nevada Connections Academy's net position for the following fiscal years.

	As of June 30, 2021	As of June 30, 2020
Current assets	\$ 6,328,974	\$ 12,612,390
Capital assets	-	-
Total assets	<u>6,328,974</u>	<u>12,612,390</u>
Deferred outflows	3,560,823	3,210,788
Current liabilities	1,900,163	8,000,624
Long-term liabilities	<u>10,837,853</u>	<u>8,941,662</u>
Total liabilities	12,738,016	16,942,286
Deferred inflows	<u>1,032,217</u>	<u>1,217,146</u>
Net position		
Unrestricted	<u>(3,880,436)</u>	<u>(2,336,254)</u>
Total net position	<u>\$ (3,880,436) \$</u>	<u>(2,336,254)</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Nevada Connections Academy, assets and deferred outflows were less than liabilities and deferred inflows by \$3,880,436 as of June 30, 2021. Total net position declined \$1,544,182 from the year ended June 30, 2020 due to reduced state and federal funding.

NEVADA CONNECTIONS ACADEMY
Management's Discussion and Analysis
For the Year Ended June 30, 2021

Changes in Net Position: Nevada Connections Academy's total revenue for the fiscal year ended June 30, 2021 was \$12,594,918. The total cost of all programs and services was \$14,139,100. The following is a summary of the changes for the following fiscal years.

	Fiscal year ended June 30, 2021	Fiscal year ended June 30, 2020
Revenue		
Program revenue		
Operating grants	\$ 2,206,513	\$ 3,544,534
General revenue		
State funding	10,388,359	25,985,598
Miscellaneous	46	1,745
Total revenue	<u>12,594,918</u>	<u>29,531,877</u>
Expenses		
Instruction	10,235,956	20,273,367
Administration	3,814,428	7,050,685
Facilities	84,780	161,099
Support services	3,936	322,974
Total expenses	<u>14,139,100</u>	<u>27,808,125</u>
Change in net position	<u>\$ (1,544,182)</u>	<u>\$ 1,723,752</u>

During the year ended June 30, 2021, the Academy's expenses of \$14,139,100 exceeded its revenues of \$12,594,918 by \$1,544,182. Per pupil funding and student enrollment are the primary factors in determining the revenue and expenses for the Academy. The student count for the years ended June 30, 2021 and 2020 were 1,659 and 4,725, respectively.

Financial Analysis of Nevada Connections Academy's Funds

As noted earlier, Nevada Connections Academy uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds: The focus of Nevada Connections Academy's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing Nevada Connections Academy's financing requirements. In particular, unassigned fund balance may serve as a useful measure of Nevada Connections Academy's net resources available for spending at the end of the fiscal year.

The financial performance of Nevada Connections Academy as a whole is reflected in its governmental funds. As Nevada Connections Academy completed the year, its governmental funds reported a general fund balance of \$4,003,517.

Budgetary Highlights

The actual revenue was greater than budgeted revenue by \$364,869 mainly due to increased State revenues for the Special Education awarded in the 20-21 school year. In addition, actual expenses were greater than budgeted expenses by \$773,413 mainly due to increased expense in special instruction.

NEVADA CONNECTIONS ACADEMY
Management's Discussion and Analysis
For the Year Ended June 30, 2021

Capital Assets and Debt Administration

As of June 30, 2021, Nevada Connections Academy had total capital assets, net of accumulated depreciation of \$0 which included leasehold improvements, equipment and furniture. The amount represents no additions or disposals of capital assets for the year. Additional information on capital assets can be found in the notes to the financial statements on page 21.

On the governmental fund financial statements, capital assets are expensed in the period they are purchased as they are not considered financial resources.

Economic Factors and Next Year's Budget and Rates

The Academy originally received authorization in 2007 from the Nevada State Board of Education to operate as a grade 4-12 charter school. In August 2008, the Academy received permission from the State Board to add grades K-3 beginning with school year 2008-09. The Academy began serving students throughout Nevada in grades K-12 for the fiscal year ended June 30, 2009, and for the fiscal year ended June 30, 2021, the Academy's average daily enrollment was 1,339. As part of the revised charter agreement the Academy entered with its Authorizer in May 2020, the Academy currently has limited operations to grades 9-12, has enrollment caps for grades 9-10, and has limited enrollment to returning students for grades 11-12. This is anticipated to continue to have an impact on revenue and expenses in the next fiscal year. Additionally, effective for FY22, the State of Nevada has adopted a new funding formula to replace the existing Distributive School Account (DSA) funding formula, known as the Pupil Centered Funding Plan (PCFP). The Academy is currently assessing the impact the change to the PCFP will have on its revenue and expenses in the next fiscal year.

Requests for Information

This report is designed to provide an overview of the Academy's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to Kelly McGlynn, Treasurer, Nevada Connections Academy, 555 Double Eagle Court, Suite 2000, Reno NV 89521, telephone (775) 826-4200.

Nevada Connections Academy
Statement of Net Position
June 30, 2021

	<u>Governmental Activities</u>
Assets	
Current assets	
Cash	\$ 4,622,610
Accounts receivable	1,679,482
Prepaid expenses	16,197
Deposits	<u>10,685</u>
Total assets	<u>6,328,974</u>
Deferred Outflows of Resources	
Pension Requirement	3,529,754
OPEB requirement	<u>31,069</u>
Total deferred outflows of resources	<u>3,560,823</u>
Total assets and deferred outflows of resources	<u>9,889,797</u>
Liabilities	
Current liabilities	
Accrued liabilities	490,027
Due to Connections Academy of Nevada, LLC	<u>1,410,136</u>
Total current liabilities	<u>1,900,163</u>
Non-current liabilities	
Net pension liability	10,670,012
Total other postemployment benefits (OPEB) liability	<u>167,841</u>
Total non-current liabilities	<u>10,837,853</u>
Total liabilities	<u>12,738,016</u>
Deferred Inflows of Resources	
Pension requirement	966,494
OPEB requirement	<u>65,723</u>
Total deferred inflows of resources	<u>1,032,217</u>
Total liabilities and deferred inflows of resources	<u>13,770,233</u>
Net Position	
Unrestricted	<u>(3,880,436)</u>
Total Net Position	<u><u>\$ (3,880,436)</u></u>

Nevada Connections Academy

Statement of Activities
Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenue Operating Grants and Contributions	Net (Expenses) Revenue and Changes in Net Position Governmental Activities/ Total
Governmental activities			
Regular instruction	\$ 8,162,527	\$ 1,003,431	\$ (7,159,096)
Special instruction	2,073,429	1,203,082	(870,347)
Total instruction	10,235,956	2,206,513	(8,029,443)
Administration	3,814,428	-	(3,814,428)
Facilities	84,780	-	(84,780)
Student support	3,936	-	(3,936)
Total support	3,903,144	-	(3,903,144)
Total governmental activities	\$ 14,139,100	\$ 2,206,513	(11,932,587)
General revenue			
State funding			10,388,359
Other income			46
Total general revenue			10,388,405
Change in Net Position			(1,544,182)
Net Position, Beginning of Year			(2,336,254)
Net Position, End of Year			\$ (3,880,436)

Nevada Connections Academy
Balance Sheet – Governmental Funds
June 30, 2021

	Governmental Funds
Assets	
Cash	\$ 4,622,610
Accounts receivable	1,679,482
Prepaid expenses	16,197
Deposits	<u>10,685</u>
Total assets	<u><u>\$ 6,328,974</u></u>
Liabilities	
Accrued liabilities	\$ 490,027
Due to Connections Academy, LLC (CE)	<u>1,410,136</u>
Total liabilities	1,900,163
Deferred Inflows of Resources - Unavailable Revenue	<u>425,293</u>
Total liabilities and deferred inflows of resources	2,325,456
Fund Balances	
Nonspendable	26,882
Assigned for subsequent year's expenditures	697,735
Unassigned	<u>3,278,901</u>
Total fund balance	<u><u>4,003,518</u></u>
Total Liabilities and Fund Balances	<u><u>\$ 6,328,974</u></u>

Nevada Connections Academy
Reconciliation of the Balance Sheet to the Statement of Net Position – Governmental Funds
June 30, 2021

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

Total fund balance - governmental funds		\$ 4,003,518
Capital assets used in governmental activities are not financial resources and, therefore, are not in the governmental funds.		
Cost of capital assets	159,221	
Less accumulated depreciation	<u>(159,221)</u>	-
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in governmental funds.		
Net pension liability	(10,670,012)	
Total OPEB liability	<u>(167,841)</u>	(10,837,853)
Deferred inflows of resources represent amounts that are not available to fund current expenditures, and, therefore, are not reported as revenue in the governmental funds.		
Deferred inflows related to grant revenue		425,293
Deferred outflows and inflows of resources related to pensions and other post-employment benefits are applicable to future periods and, therefore, are not reported in the governmental funds.		
Deferred outflows of resources related to pensions	3,529,754	
Deferred outflows of resources related to OPEB	31,069	
Pension requirement	(966,494)	
OPEB requirement	<u>(65,723)</u>	<u>2,528,606</u>
Net position of governmental activities		<u>\$ (3,880,436)</u>

Nevada Connections Academy
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2021

	Governmental Funds
Revenue	
State sources	\$ 11,620,454
Federal sources	
Grant awards	570,414
E-rate funds	4,123
	<u>12,194,991</u>
Total revenue	
Expenditures	
Current	
Instruction	
Regular instruction	7,220,245
Special instruction	1,892,276
	<u>9,112,521</u>
Total instruction	
Support services	
Administration	3,602,002
Facilities	84,780
Student support	3,936
	<u>3,690,718</u>
Total support services	
Total expenditures	<u>12,803,239</u>
Net Change in Fund Balance	(608,248)
Fund Balance, Beginning of Year	<u>4,611,766</u>
Fund Balance, End of Year	<u><u>\$ 4,003,518</u></u>

Nevada Connections Academy

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities – Governmental Funds Year Ended June 30, 2021

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

Net change in fund balance - governmental funds	\$ (608,248)
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Revenues in the statement of activities that do not provide current financial resources
are not reported as revenues in the governmental funds.

Changes in unavailable revenue	425,293
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Governmental funds report the Academy pension and other post-employment
benefit contributions as expenditures. However, in the statement of activities,
the cost of pension and other post-employment benefits earned is reported
as pension or other post-employment expense.

Academy pension contributions	564,329
Academy pension expense	(1,887,235)
Change in Total OPEB liability	(1,659)
Change in deferred outflows of resources - OPEB related	(65,723)
Change in deferred inflows of resources - OPEB related	29,061
	29,061

Change in net position of governmental activities	\$ (1,544,182)
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Note 1 - Reporting Entity and Summary of Significant Accounting Policies

The accompanying financial statements of Nevada Connections Academy (Academy) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of existing Government and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations) constitutes GAAP for governmental units.

Reporting Entity

Nevada Connections Academy is a charter school established in April 2007. It is organized to operate as a public charter school sponsored by the State of Nevada under Nevada Revised Statutes (NRS) 388. The Academy's major operation is to provide innovative educational services outside the traditional classroom, emphasizing accountability and performance for students and staff for kindergarten through twelfth grade.

The Academy receives funding from state and federal government sources and must comply with the requirements of those funding source entities. However, the Academy is not included in any other governmental "reporting entity," as defined in GASB pronouncements, since its governing body has decision-making authority, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.

The Academy operates under the oversight of the State Public Charter School Authority (SPCSA) to provide services to students during the current fiscal year in the 9th to 12th grade levels.

Connections Education, LLC

The Academy entered into a professional services agreement with Connections Education, LLC (CE), a Nevada limited liability company in April 2007. All services provided by CE must have prior approval by the Board of Trustees of the Academy.

The educational services that CE provides for the Academy are as follows:

- Provide instructional materials used by students.
- Develop personalized learning plans for each student.
- Facilitate a series of assessments administered to students to gauge mastery of core concepts and readiness for the State of Nevada standardized tests.
- Establish an accessible location for testing by each student that shall be no more than fifty (50) miles from the student's residence.
- Employ one or more persons who will be designated as school Principal. CE may also employ one or more persons to be designated as Assistant Principals, Special Education Managers or Coordinators, or other administrative or clerical staff.
- Recruit learning coaches willing to volunteer their services to coordinate community activities.

- Provide human resources including recruiting, payroll administration (including processing payroll, collecting and remitting taxes, etc.), and benefits administration provided for in the budget. CE is responsible for recruiting, training, and assigning and supervising teachers, and shall strive to maintain teaching staff at a ratio as set forth in the Charter Application.
- Provide access to additional educational support staff in the areas of special education, gifted education, and curriculum services with such staff being available to teachers via email and toll-free telephone during the school year.
- Provide to the Academy a non-assignable limited license for the use of its learning management system by all individuals required to access the system in order to provide the educational services.
- Provide hardware and software to each student. The hardware and software shall not become property of the student but must be returned upon withdrawal from the program. Each student or household shall receive payments which shall be changed depending on the average cost of dial-up internet service available in Nevada for at least 150 hours per month.
- Provide toll-free technical support and maintenance of any computer hardware or software provided to the students.
- Maintain student and Academy records in accordance with state, local, and federal requirements.
- Provide software and associated protocols for the development of individualized education programs for special needs students.
- Provide and maintain in good working condition the following for all personnel under the control or supervision of CE: office supplies; telephone service; data lines; computer hardware and software; and office support equipment, including means of photocopying, materials assembly, and the like.
- Provide to the governing body any such reports as are required by law or regulation and assist in providing any information required by the SPCSA, the Nevada Department of Education, or its auditors.

The Academy has executed the Trademark License Agreement and can use the name and the logo of Connections Academy.

In addition to the educational services described above, CE will also identify, count, and keep accurate records of the number of enrolled students and their days present and absent, and all other data required in order to determine funding under State law. CE acknowledges that the Academy is the fiscal agent recognized by the State and that all payments which the Academy is entitled to will be deposited directly into the accounts maintained by the Academy and will not be dispersed to CE.

CE will also provide reports to the governing body which will detail the data needed for funding, as well as a financial report covering all recipients and payments made under the agreement. CE shall also prepare any supporting documentation as is required for any financial or regulatory audit of the Academy. CE will also cooperate fully in assisting with completion of the annual financial audit and annual financial report. CE will prepare the final budget for approval by the Board of Trustees.

For compensation of the above educational and management services, the Board of Trustees has approved a fee schedule whereby the expenses are charged to the Academy monthly based on amounts and rates contained in the fee schedule. CE is also reimbursed for direct expenses that CE has paid on behalf of the Academy. The agreement was amended effective May 6, 2013, to extend the term through the last day of the 2022-23 school year.

Basic Financial Statements – Government-Wide Statements

The basic financial statements include both government-wide (based on the Academy as a whole) and fund financial statements. The reporting focus is on either the Academy as whole or major individual funds (within the fund financial statements).

The government-wide financial statements (the statement of net position and the statement of activities) report information on all non-fiduciary activities of the Academy. Governmental activities, which normally are supported by taxes or intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The Academy does not have any business-type activities.

The statement of activities demonstrates the degree to which expenses are offset by program revenue. Program revenue includes grants, per-pupil funding from the State of Nevada, donations, and various fundraising activities.

Basic Financial Statements – Fund Financial Statements

The financial transactions of the Academy 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 comprise its assets, liabilities, fund equity, revenue, and expenditures/expenses. The Academy has only one general fund.

Academy resources are allocated to and accounted for in individual funds based upon the purposes for which they are intended and the means by which spending activities are controlled.

Basis of Presentation – Fund Accounting

The accounts of the Academy are organized and operated on the basis of funds and account groups, each of which is presented as a separate accounting entity. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts comprised of assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. The account groups are not funds but are a reporting device used to account for certain assets and liabilities of the governmental funds that are not recorded directly in those funds.

Government resources are allocated and accounted for in individual funds based on the purposes for which they are to be spent and the means by which spending activities are controlled. The operations of the Academy's funds are accounted with separate sets of self-balancing accounts that comprise their assets, liabilities, fund equity, revenues, and expenditures.

The Academy has the following fund categories (further divided by fund type) and account groups:

Governmental funds are used to account for the Academy's general government activities. Governmental funds include the following fund types:

The *General Fund* is the general operating fund for the Academy. It is used to account for all financial resources not accounted for in other funds.

Measurement Focus/Basis of Accounting

The term, "basis of accounting," refers to the method used for revenues and expenditure recognition in the accounts and reporting in the financial statements and relates to the timing of the measurements made, regardless of the measurement focus applied.

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 Academy gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants and donations. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be measurable when the amount of the transaction can be determined and available when they are collectible with the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. When revenues are due but will not be collected within this 60-day period, the receivable is recorded, and an offsetting deferred inflow of resources account is established. Thus, in subsequent periods, when both revenue recognition criteria are met, the deferred inflow of resources is removed, and revenue is recognized. Expenditures generally are recorded when liabilities are incurred, as under accrual accounting. However, expenditures related to compensated absences, post-employment benefits, and claims and judgments, are recorded only when payment is due.

Under the terms of grant agreements, the Academy funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the Academy's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

Budgets and Budgetary Accounting

The Academy is required by the State of Nevada Department of Education (Department) under NRS 386.550(n) and Nevada Administrative Code (NAC) 387.725 to adopt a tentative budget by April 15th and a final budget not later than June 8th of each year but is not required by the Department to augment the budget during the year.

Further, the Academy is not required under NRS 386.550 to adopt a final budget pursuant to NRS 354.598 or otherwise comply with any provisions of Chapter 354 of the NRS. In essence, augmentation of the Academy's budget is neither required nor prohibited. The Academy augmented its budget as reflected in the original and final budgets presented in the Budgetary Comparison schedules. The budget is maintained on the same generally accepted accounting principles (GAAP) basis as the fund financial statements.

Cash

Cash includes demand deposits held in commercial banks.

Accounts Receivable

Accounts receivables include distributive school account (DSA) and grants funds that are receivable after year-end. If applicable, receivables would be shown net of an allowance. However, given historical experience, the Academy believes its receivables to be fully collectible.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Deposits

Deposits are security deposits held by landlords related to office space leased for the Academy's operations.

Capital Assets

The Academy's capital assets are recorded at original cost. Donated assets are recorded at their estimated fair value at the date of donation.

It is the policy of the Academy to capitalize assets costing more than \$5,000 with an estimated useful life of two or more years. In addition, other items which are purchased and used in large quantities such as office furniture are capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets. All depreciable assets are depreciated using the straight-line method of depreciation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are depreciated over the following estimated useful lives:

	<u>Years</u>
Leasehold improvements	Life of the lease
Equipment	5
Furniture	7

Accrued Liabilities

Accrued liabilities include salaries and related taxes and benefits owed to employees for work performed prior to year-end that will be paid in the subsequent fiscal year as well as accrued CE expenses.

Due to Connections Education, LLC

Due to Connections Education, LLC, represents amounts payable for services performed prior to year-end and billed to the Academy.

Deferred Outflows and Inflows of Resources

In addition to assets, a separate section is reported for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. The Academy recognizes deferred outflow of resources as it relates to the net pension liability and other post-employment benefits (OPEB) liability/asset.

In addition to liabilities, a separate section is reported for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Academy recognizes deferred inflow of resources as it relates to the net pension liability and the OPEB liability/asset on the Statement of Net Position. In addition, the Academy recognizes deferred inflows of resources as they relate to changes for services and grants.

Net Position/Fund Balances

Net position in the government-wide financial statements is classified as invested in capital assets, restricted, and unrestricted, as applicable:

- *Net investment in capital assets* – Consists of capital assets, net of accumulated depreciation and reduces by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets, if applicable.
- *Restricted net position* – Consists of net position with constraints placed on its use either by (1) external groups such as creditors, contributors, or laws or regulations; (2) law through constitutional provisions or enabling legislation.
- *Unrestricted net position* – All other net position that does not meet the definition of restricted or net investment in capital assets.

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent. The governmental fund types classify fund balances as follows:

- *Nonspendable fund balance* – This classification includes amounts that cannot be spent because they are either (a) not in spendable form, such as prepaid items, or (b) legally or contractually required to be maintained intact.
- *Restricted fund balance* – This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.
- *Committed fund balance* – This is the portion of unrestricted fund balance that can only be used for a specific purpose imposed by a majority vote of Academy's governing body (highest level of decision-making authority). Any changes or removal of the specific purpose requires majority action by the governing bodies that approved the original action.
- *Assigned fund balance* – This is the portion of unrestricted fund balance that the Academy intends to use for specific purposes. The Academy has designated amounts necessary to eliminate a projected budgetary deficit in the subsequent year's budget.
- *Unassigned fund balance* – This is the portion of fund balance that has not been restricted, committed, or assigned to specific purposes within the general fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted amounts are available, the Academy considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned amounts are available, the Academy considers amounts to have been spent first out of committed funds, then assigned funds, and finally, unassigned funds, as needed, unless the Board of Directors has provided otherwise in its commitment or assignment actions.

The Academy has no restricted or committed fund balances for the year ended June 30, 2021.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources, deferred inflows of resources and pension expense, information about the fiduciary net position of the Public Employees' Retirement System of Nevada (PERS) and additions to/deductions from PERS's fiduciary net position have been determined on the same basis as they are reported by PERS. 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.

Use of Estimates

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

Note 2 - Compliance with Nevada Revised Statutes and the Nevada Administrative Code

The Academy conformed to all significant statutory constraints on its financial administration during the year other than actual expenditures exceeding appropriations in regular instruction, administration and student support by \$40,509, \$107,975 and \$436, respectively.

Note 3 - Concentration of Credit Risk

The Academy's cash balances are maintained in one financial institution located in Reno, Nevada. The bank accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to an aggregate of \$250,000 per institution. Nevada Connections Academy would be at risk for the uninsured portion of the cash balance of \$4,378,582 at June 30, 2021.

By provision of statutes, the Academy is authorized to deposit all money in banks or savings and loan associations located in the state of Nevada and must be subject to withdrawal on demand.

Note 4 - Capital Assets

The property and equipment for the year ended June 30, 2021 are as follows:

	Balance June 30, 2020	Additions/ Increases	Decreases	Balance June 30, 2021
Leasehold improvements	\$ 27,932	\$ -	\$ -	\$ 27,932
Equipment	43,103	-	-	43,103
Furniture	88,186	-	-	88,186
	159,221	-	-	159,221
Less accumulated depreciation	(159,221)	-	-	(159,221)
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

There was no depreciation expense for the year ended June 30, 2021.

Note 5 - Concentration of Vendor Services

During April 2007, the Academy entered into a professional services agreement with Connections Education, LLC (CE), to provide educational and management services (see Note 1). Certain expenses are paid for by CE and then allocated to the Academy based on a per student average. CE bills the Academy for these services and expenses on a monthly basis. As of June 30, 2021, the unpaid balance due from the Academy totals \$1,410,136 for services provided June 2021. The professional services fee incurred by the Academy for the services provided by CE totaled \$9,686,965 for the year ended June 30, 2021 which represents 75.66% of the total expenditures of the Academy.

Note 6 - Operating Lease

The Academy entered into a lease agreement with an effective start date of August 1, 2014, to lease classroom and office space for a period of seven years, expiring on July 31, 2021. In August 2021 the Academy extended the lease to July 31, 2024. The total rent expense for the year ended June 30, 2021 was \$75,975.

Future minimum lease payments are as follows:

<u>Year Ending June 30,</u>	
2022	\$ 71,324
2023	73,821
2024	<u>6,169</u>
	<u><u>\$ 151,314</u></u>

Note 7 - Pensions

General Information About the Pension Plan

Plan Description

PERS (System) administers a cost-sharing, multiple-employer, defined benefit public employees' retirement system which includes both Regular and Police/Fire members. The System was established by the Nevada Legislature in 1947, effective July 1, 1948. The System is administered to provide a reasonable base income to qualified employees who have been employed by a public employer and whose earnings capacities have been removed or substantially impaired by age or disability.

Benefits Provided

Benefits, as required by the Nevada Revised Statutes (NRS or statute), are determined by the number of years of accredited service at time of retirement and the member's highest average compensation in any 36 consecutive months with special provisions for members entering the System on or after January 1, 2010 and for members entering the System on or after July 1, 2015. Benefit payments to which participants or their beneficiaries may be entitled under the plan include pension benefits, disability benefits, and survivor benefits.

Monthly benefit allowances for members are computed as 2.5% of average compensation for each accredited year of service prior to July 1, 2001. For service earned on and after July 1, 2001, this multiplier is 2.67% of average compensation. For members entering the System on or after January 1, 2010, there is a 2.5% service time factor and for regular members entering the System on or after July 1, 2015, there is a 2.25% multiplier. The System offers several alternatives to the unmodified service retirement allowance which, in general, allow the retired employee to accept a reduced service retirement allowance payable monthly during his or her lifetime and various optional monthly payments to a named beneficiary after his or her death.

Post-retirement increases are provided by authority of NRS 286.575 – 286.579.

Vesting

Regular members entering the System prior to January 1, 2010 are eligible for retirement at age 65 with five years of service, at age 60 with 10 years of service, or at any age with thirty years of service. Regular members entering the System on or after January 1, 2010, are eligible for retirement at age 65 with five years of service, or age 62 with 10 years of service, or any age with thirty years of service. Regular members who entered the System on or after July 1, 2015 are eligible for retirement at age 65 with 5 years of service, or at age 62 with 20 years of service or at age 55 with 30 years of service or at any age with 33 1/3 years of service.

The normal ceiling limitation on monthly benefits allowances is 75% of average compensation. However, a member who has an effective date of membership before July 1, 1985, is entitled to a benefit of up to 90% of average compensation. Both Regular and Police/Fire members become fully vested as to benefits upon completion of five years of service.

Contributions

The authority for establishing and amending the obligation to make contributions and member contribution rates is set by statute. New hires, in agencies which did not elect the Employer-Pay Contribution (EPC) plan prior to July 1, 1983 have the option of selecting one of two contribution plans. Contributions are shared equally by employer and employee. Employees can take a reduced salary and have contributions made by the employer (EPC) or can make contributions by a payroll deduction matched by the employer.

The System's basic funding policy provides for periodic contributions at a level pattern of cost as a percentage of salary throughout an employee's working lifetime in order to accumulate sufficient assets to pay benefits when due.

The System receives an actuarial valuation on an annual basis indicating the contribution rates required to fund the System on an actuarial reserve basis. Contributions actually made are in accordance with the required rates established by the Nevada Legislature. These statutory rates are increased/decreased pursuant to NRS 286.421 and 286.450.

The actuarial funding method used is the Entry Age Actuarial Cost Method. It is intended to meet the funding objective and result in a relatively level long-term contributions requirement as a percentage of salary.

For the fiscal years ended June 30, 2021 and 2020, respectively, the Statutory Employer/employee matching rate was 15.50% and 15.25% for Regular employees. The Employer-pay contribution (EPC) rate was 29.75% and 29.25% for the fiscal years ended June 30, 2021 and 2020, respectively for Regular employees.

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

At June 30, 2021, the Academy reported a liability of \$10,670,012 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The Academy's proportion of the net pension liability was based on total contributions due on wages paid during the measurement period. Each employer's proportion of the net pension liability is based on their employer contributions relative to the total combined employer contributions for all employers for the period ended June 30, 2020. At June 30, 2020, the Academy's proportion was 0.07661%, which is an increase of 0.01225% from its proportion measure at June 30, 2020.

For the year ended June 30, 2021, the Academy recognized pension expense of \$1,322,906. Amounts totaling \$425,961 resulting from Academy contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. For the year ended June 30, 2021, the Academy contributed \$425,961 under the statute requirements. At June 30, 2021, the Academy reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 331,510	\$ 137,776
Changes of assumptions	299,709	-
Net difference between projected and actual investment earnings on pension plan investments	-	403,068
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,472,574	425,650
Contributions subsequent to the measurement date	425,961	-
	<u>\$ 3,529,754</u>	<u>\$ 966,494</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions, without regard to contributions subsequent to the measurement date, are expected to be recognized in pension expense as follows:

Year Ending June 30,	
2022	\$ 571,730
2023	593,209
2024	411,945
2025	260,303
2026	263,987
Thereafter	36,125
	<u>\$ 2,137,299</u>

The net difference between projected and actual investment earnings on pension plan investments will be recognized over five years, all the other above deferred outflow and deferred inflows will be recognized over the average expected remaining services lives, which was 6.13 years for the measurement period ending June 30, 2021.

Actuarial Assumptions

Inflation rate	2.75%
Payroll growth	4.25%, including inflation
Investment rate of return	7.50%
Productivity pay increase	0.50%
Projected salary increases	Regular: 4.25% to 9.15%, depending on service Rates include inflation and productivity increases
Consumer price index	2.75%
Other assumptions	Same as those used in the June 30, 2020 funding actuarial valuation

Mortality rates for all non-disabled members (Regular and Police/Fire) age 50 and over were based on the Headcount-Weighted RP-2014 Healthy Annuitant Table projected to 2020 with Scape MP-2016, set forward one year for spouses and beneficiaries. For all non-disabled members under the age of 50, mortality rates were based on the Headcount-Weighted RP-2014 Employee Mortality Tables adjusted by the ratio of the mortality rate for members at age 50 to the mortality rate at age 50 from the Employee mortality tables used for age 50 and over. The mortality rates for ages less than 50 are then projected to 2020 with Scale MP-2016. The mortality table used in the actuarial valuation to project mortality rates for all disabled members (Regular and Police/Fire) is the Headcount-Weighted RP-2014 Disabled Retiree Table, set forward four years.

Actuarial assumptions used in the June 30, 2020 valuation were based on the results of the experience review completed in 2021.

The discount rate used to measure the total pension liability was 7.50% as of June 30, 2020. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the pension plan's fiduciary net position at June 30, 2020, was projected to be available to make all projected future benefit payments of current active and inactive employees. 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 as of June 30, 2020.

Investment Policy

The System's policies which determine the investment portfolio target asset allocation are established by the Retirement Board. The asset allocation is reviewed annually and is designed to meet the future risk and return needs of the System. The following was the Retirement Board's adopted policy target asset allocation as of June 30, 2020:

Asset Class	Target Allocation	Long-Term Geometric Expected Real Rate of Return*
Domestic Equity	42%	5.50%
International Equity	18%	5.75%
Domestic Fixed Income	28%	0.75%
Private Markets	12%	6.65%

*As of June 30, 2020, PERS' long-term inflation assumption was 2.75%.

Discount Rate and Pension Liability Discount Rate Sensitivity

The following presents the net pension liability of the PERS as of June 30, 2021, calculated using the discount rate of 7.50%, as well as what the PERS net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.50%) or 1 percentage-point higher (8.50%) than the current discount rate:

	1% Decrease in Discount Rate (6.50%)	Discount Rate (7.50%)	1% Increase in Discount Rate (8.50%)
Net pension liability	\$ 16,175,159	\$ 10,670,012	\$ 5,705,759

Pension Plan Fiduciary Net Position

Additional information supporting the Schedule of Employer Allocations and the Schedule of Pension Amounts by Employer is located in the PERS Comprehensive Annual Financial Report (CAFR) available on the PERS website at www.nvpers.org under Quick Links – Publications.

Note 8 - Postemployment Benefits Other Than Pensions (OPEB)

General Information About the Pension Plan

Plan Description and Benefits Provided

The Academy's active personnel policy provides medical, dental, vision, and life insurance for retirees under a single employer defined benefit plan. Eligibility and subsidy requirements are governed by the policy and requirements under NRS 287.023. Employees who retire from the Academy may elect to continue their medical, dental and vision insurance coverage for themselves and their dependents under the programs made available to the Academy's active employees. Dental and vision coverage is available for the Academy's retirees for their lifetime; medical coverage is available until the retiree is qualified for coverage under Medicare. The Academy does not pay any portion of the retiree's premiums. The premiums for all coverage are entirely at the retiree's own expense. If dental and/or vision coverage is selected, the retiree must pay 100% of the premiums.

There are no assets accumulated in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75 to pay related benefits.

Employees Covered by Benefit Terms

At June 30, 2021, there were approximately 50 active plan members. There were no inactive employees.

Total OPEB Liability

The Academy's total OPEB liability of \$167,841 was measured as of June 30, 2020 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5% per year
Salary increases	3.0% per year; since benefits depend on pay, this is used only to allocate the costs of benefits
Health care trend rates	5.7% effective January 2022, fluctuating down to 4.0% by 2076

The discount rate used to measure the Total OPEB liability was 2.45%. The discount rate was based on a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Mortality rates were based on the following:

- re-retirement life rates for Regular & Safety employees:
- Males and Females: Headcount-Weighted RP-2014 Employee Table.
- Non-disabled life rates for Regular & Safety retirees:
- Males and Females: Headcount-Weighted RP-2014 Healthy Annuitant Table set forward 1 year

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period June 30, 2018 to June 30, 2020.

Changes in the Total OPEB Liability:

Balance, June 30, 2020 (measurement date June 30, 2019)	\$ 166,182
Changes for year	
Service cost	34,807
Interest	6,291
Changes of benefit terms	-
Difference between expected and actual experience	(65,005)
Changes in assumptions or other inputs	25,566
Benefit payments	-
	<hr/>
Net changes	1,659
	<hr/>
Balance, June 30, 2021 (measurement date June 20, 2020)	<u><u>\$ 167,841</u></u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.13% as of June 30, 2019 to 2.45% as of June 30, 2020, based on the published changes in return for the applicable municipal bond index.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the Academy, as well as what the Academy's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.45%) or 1-percentage-point higher (3.45%) than the current discount rate:

	1% Decrease in Discount Rate (1.45%)	Discount Rate (2.45%)	1% Increase in Discount Rate (3.45%)
Total OPEB liability	\$ 187,504	\$ 167,841	\$ 149,910

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the Academy, as well as what the Academy's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (5.7% decreasing to 4.7%) or 1-percentage-point higher (5.7% increasing to 6.7%) than the current healthcare cost trend rates:

	1% Decrease (4.7%)	Health Care Cost Trend (5.7%)	1% Increase (6.7%)
Total OPEB liability	\$ 139,055	\$ 167,841	\$ 203,183

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2021, the Academy recognized OPEB expense of \$38,321. At June 30, 2020, the Academy reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	<u>\$ 31,069</u>	<u>\$ (65,723)</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending June 30,</u>	
2022	\$ (2,777)
2023	(2,777)
2024	(2,777)
2025	(2,777)
2026	(2,777)
Thereafter	<u>(20,769)</u>
	<u>\$ (34,654)</u>

Note 9 - Risk and Uncertainties

The 2019 Coronavirus (COVID-19) was declared a global pandemic by the World Health Organization on March 11, 2020, and the related responses by public health and governmental authorities to contain its outbreak and spread, adversely impacted workforces, economics, and financial markets globally. The Academy continues to closely monitor its operations, liquidity, and capital resources as a result of COVID-19.

Nevada Connections Academy

Statement of Revenue, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund Year Ended June 30, 2021 (with Comparative Totals for Year Ended June 30, 2020)

	2021				2020
	Budgeted Amounts		Actual	Variance	(Actual Memorandum Only)
	Original	Final			
Revenue					
State sources	\$ 8,042,385	\$ 10,882,536	\$ 11,620,454	\$ 737,918	\$ 27,788,241
Federal sources	690,197	947,585	570,414	(377,171)	1,828,794
E-rate funds	-	-	4,123	4,123	-
Other	89,000	-	-	-	1,745
Total revenue	8,821,582	11,830,121	12,194,991	364,870	29,618,780
Expenditures					
Current					
Instruction					
Regular	6,346,496	7,179,736	7,220,245	(40,509)	16,850,205
Special	860,582	1,265,564	1,892,276	(626,712)	2,804,538
Total instruction	7,207,078	8,445,300	9,112,521	(667,221)	19,654,743
Support services					
Administration	3,510,226	3,494,027	3,602,002	(107,975)	6,986,096
Facilities	-	87,000	84,780	2,220	160,486
Student support	7,000	3,500	3,936	(436)	300,982
Total support services	3,517,226	3,584,527	3,690,718	(106,191)	7,447,564
Total expenditures	10,724,304	12,029,827	12,803,239	(773,412)	27,102,307
Net Change in Fund Balance	(1,902,722)	(199,706)	(608,248)	(408,542)	2,516,473
Fund Balance, Beginning of Year	3,409,521	4,611,480	4,611,766	286	2,095,293
Fund Balance, End of Year	\$ 1,506,799	\$ 4,411,774	\$ 4,003,518	\$ (408,256)	\$ 4,611,766

Nevada Connections Academy
Schedule of Academy's Share of Net Pension Liability
Last Ten Fiscal Years

	2020	2019	2018	2017	2016	2015	2014
Proportion of the net pension liability	0.07661%	0.06436%	0.06913%	0.06449%	0.05878%	0.04596%	0.03705%
Proportionate share of the net pension liability	\$ 10,670,012	\$ 8,775,480	\$ 9,427,305	\$ 8,576,518	\$ 7,909,550	\$ 5,267,205	\$ 3,861,242
Covered payroll	\$ 5,447,185	\$ 4,497,155	\$ 4,746,437	\$ 4,369,267	\$ 3,730,246	\$ 2,856,747	\$ 2,156,675
Proportionate share of the net pension liability as a percentage of its covered payroll	195.88%	195.13%	198.62%	196.29%	212.04%	184.38%	179.04%
Plan fiduciary net position as a percentage of the total pension liability	77.04%	76.46%	74.40%	74.40%	72.20%	75.10%	76.30%

* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until ten years of data is available, the Academy will present information only for those years for which information is available.

Nevada Connections Academy
Schedule of Contributions-PERS
Last Ten Fiscal Years

	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 425,961	\$ 1,231,697	\$ 990,533	\$ 974,192	\$ 946,127	\$ 820,788	\$ 593,804
Contributions in relation to the contractually required contribution	425,961	1,231,697	990,533	974,192	946,127	820,788	593,804
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Academy's covered payroll	\$ 2,913,883	\$ 5,447,185	\$ 4,497,155	\$ 4,746,437	\$ 4,369,267	\$ 3,730,246	\$ 2,856,747
Contributions as a percentage of covered payroll	14.62%	22.61%	22.03%	20.52%	21.65%	22.00%	20.79%

* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until ten years of data is available, the Academy will present information only for those years for which information is available.

Nevada Connections Academy
Schedule of Changes in OPEB Liability and Related Ratios
Last Ten Fiscal Years

	2021	2020	2019	2018
Service cost	\$ 34,807	\$ 31,284	\$ 30,331	\$ 31,849
Interest	6,291	5,502	4,178	2,665
Changes in benefit terms	-	-	-	-
Differences between expected and actual experience	(65,005)	-	-	-
Changes in assumptions or other inputs	25,566	8,690	(836)	(6,898)
Benefit payments	-	-	-	-
Net change in total OPEB liability	1,659	45,476	33,673	27,616
Total OPEB liability - beginning	166,182	120,706	87,033	59,417
Total OPEB liability - ending	<u>\$ 167,841</u>	<u>\$ 166,182</u>	<u>\$ 120,706</u>	<u>\$ 87,033</u>
Covered payroll	\$ 3,062,272	\$ 5,888,117	\$ 5,499,315	\$ 5,090,976
Total OPEB liability as a percentage of covered payroll	5.48%	2.82%	2.19%	1.71%

Notes to Schedule:

Changes of assumptions and other inputs reflect a change in the discount rate from 3.13% as of June 30, 2019 to 2.45% as of June 30, 2020, based on the published changes in return for the applicable municipal bond index. The population decreased from 102 to 68 employees due to changes at the Academy in 2021.

No assets are accumulated in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75 to pay related benefits.

* GASB Statement No. 75 requires ten years of information to be presented in this table. However, until ten years of data is available, the Academy will present information only for those years for which information is available.



**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***

To the Members of the Board
Nevada Connections Academy
Reno, Nevada

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 and the general fund information of Nevada Connections Academy (the Academy), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated October 25, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Academy's internal control over financial reporting (internal control) as a basis for designing 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 Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Academy'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.

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 the Academy's financial statements are free from 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 financial statements. 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.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Reno, Nevada
October 25, 2021



**Independent Auditor's Report on Compliance for the Major Federal Program;
Report on Internal Control Over Compliance Required by the Uniform Guidance**

To the Members of the Board
Nevada Connections Academy
Reno, Nevada

Report on Compliance for the Major Federal Program

We have audited Nevada Connections Academy's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Nevada Connections Academy's major federal program for the year ended June 30, 2021. Nevada Connections Academy's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Nevada Connections Academy's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program occurred. An audit includes examining, on a test basis, evidence about Nevada Connections Academy's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of Nevada Connections Academy's compliance.

Opinion on the Major Federal Program

In our opinion, Nevada Connections Academy's complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2021.

Report on Internal Control over Compliance

Management of Nevada Connections Academy is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Nevada Connections Academy's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Nevada Connections Academy's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Reno, Nevada
October 25, 2021

Nevada Connections Academy
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing/Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
<u>U.S. Department of Education</u>			
Passed through Nevada Department of Education			
Title I Grants to Local Educational Agencies	84.010	300-00	\$ 374,965
Title I Grants to Local Education Agencies (Title I, Part A of the ESEA) - School Improvement Grant	84.010A	300-00	<u>53,953</u>
Total Title I Grants to Local Educational Agencies			<u>428,918</u>
Special Education Cluster (IDEA) Special Education Grants to States	84.027	300-00	<u>137,386</u>
Supporting Effective Instruction State Grants (formerly) Improving Teacher Quality State Grants	84.367	300-00	<u>79,522</u>
Title IV Student Support	84.424	300-00	<u>74,058</u>
COVID-19 - Emergency Secondary School Emergency Relief	84.425D	300-00	<u>226,010</u>
			<u><u>\$ 945,894</u></u>

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of Nevada Connections Academy (Academy) under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Nevada Connections Academy, it is not intended to and does not present the financial position or changes in net position of Nevada Connections Academy.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported in the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

No federal financial assistance has been provided to a subrecipient.

Note 3 - Indirect Cost Rate

Nevada Connections Academy does not draw for indirect administrative expenses and has not elected to use the 10% de minimus cost rate.

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major program:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516	No

Identification of major programs:

<u>Name of Federal Program</u>	<u>CFDA Number</u>
Title I Grants to Local Educational Agencies	84.010
Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings

No findings reported.

Section III – Federal Award Findings and Questioned Costs

No findings reported.