

RAINBOW DREAMS ACADEMY CHARTER SCHOOL

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2017

(With Report of Independent Certified Public Accountants Thereon)

RAINBOW DREAMS ACADEMY CHARTER SCHOOL
TABLE OF CONTENTS
JUNE 30, 2017

	<u>PAGE NO.</u>
Report of independent certified public accountants	2
Management's discussion and analysis	4
Basic financial statements:	
Statement of net position	7
Statement of activities	8
Fund financial statements:	
Balance Sheet – governmental funds	9
Reconciliation of the balance sheet – governmental funds to the statement of net position	10
Statement of revenues, expenditures, and changes in fund balance - governmental funds	11
Notes to financial statements	12
Supplementary Information	
Schedule of Revenues and Expenditures – Budget to Actual	19
Report on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with <i>Government Auditing Standards</i>	20



REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors
Rainbow Dreams Academy Charter School
Las Vegas, Nevada

Report on the Financial Statements

We have audited the accompanying general-purpose financial statements of the governmental activities, and the aggregate remaining fund information of the Rainbow Dreams Academy Charter School (the "School"), as of and for the year ended June 30, 2017, listed in the foregoing table of contents, and the related notes to the financial statements.

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 an opinion 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rainbow Dreams Academy Charter School as of June 30, 2017, and the results of its activities for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Management's Discussion and Analysis, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the 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 18, 2017, on our consideration of Rainbow Dreams Academy Charter School 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 of internal control over financial reporting and compliance and the results of that 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 Rainbow Dreams Academy Charter School internal control over financial reporting and compliance.

HRP CPAs

HRP CPAs
October 18, 2017
Las Vegas, Nevada

RAINBOW DREAMS ACADEMY CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED
JUNE 30, 2017

As management of the Rainbow Dreams Academy Charter School, hereafter referred as "the School", we offer readers of the School's financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2017. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the School's financial statements, which follow this narrative.

Financial Highlights

- At the end of the fiscal year, the School reported a positive general operating cash balance of \$157,296.
- As of the close of the current fiscal year, the School's governmental funds reported combined ending fund balances of (\$105,695).
- Audited Enrollment Count Day Figure was 390.
- The School has no long-term debt.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the School's basic financial statements. The School's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The basic financial statements present two different views of the School through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the School.

Basic Financial Statements

The first two statements (pages 7 and 8) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the School's financial status.

The next statements (pages 9 through 11) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the School's government. These statements provide more detail than the government-wide statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements.

RAINBOW DREAMS ACADEMY CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED
JUNE 30, 2017

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the School's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the School's financial status as a whole.

The two government-wide statements report the School's net assets and how they have changed. Net assets are the difference between the School's total assets and total liabilities. Measuring net assets is one way to gauge the School's financial condition.

Fund Financial Statements

The fund financial statements provide a more detailed look at the School's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School, like all other governmental entities in Nevada, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the School's budget ordinance.

Notes to 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 begin on page 12 of this report.

Government Funds - The focus of the School's government funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the School's financing requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the School.

At June 30, 2017, the government funds of the School reported fund balance of (\$105,695).

Capital Assets

The School has \$14,064 invested in capital assets, net of depreciation. This investment in capital assets includes furniture, equipment and leasehold improvements. There were no acquisitions or dispositions with depreciation being \$39,720 for the year.

RAINBOW DREAMS ACADEMY CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED
JUNE 30, 2017

Economic Factors

As the School is funded using the per-pupil ration each year, there is an economy of scale and a financial framework which sets the parameters for our future growth and determines our budgeting formulas.

We would like to expand the School's budget through grants, fund-raising, donations, and community partnerships.

In summary, the School's major goals are to define a marketing plan to boost enrollment, and to educate and prepare students to challenge their intellect, maximize their talents, respect themselves and others, and take pride in their heritage in a nurturing learning community. Licensed teachers, support staff, and contracted services, become more expensive each year and impact the School's operations budget. The management team is very mindful of these factors and works diligently to fine tune the School's financial strategy, always keeping in mind how to best serve the needs and wants of the students and families first.

Requests for Information

This financial report is designed to a general overview of the School's finances and accountability for the money it receives. If you have questions about this report or need additional financial information, contact the School's Director of Finance at Rainbow Dreams Academy Charter School, 950 W. Lake Mead, Las Vegas, Nevada, 89106, and telephone (702) 638-0222.

RAINBOW DREAMS ACADEMY CHARTER SCHOOL
STATEMENT OF NET POSITION
JUNE 30, 2017

	<u>GOVERNMENTAL ACTIVITIES</u>
ASSETS	
Current assets	
Cash	\$ 157,296
Receivables	74,753
Prepaid expenses	<u>3,830</u>
Total current assets	235,879
Non-current assets	
Capital assets (net of accumulated depreciation of \$503,177)	<u>14,064</u>
Total non-current assets	<u>14,064</u>
Other assets	
Deposits	<u>25,000</u>
Total assets	<u>274,943</u>
Deferred outflows of resources	
Pension contributions	<u>263,319</u>
LIABILITIES AND NET ASSETS	
Liabilities	
Current liabilities	
Net pension liability	1,193,044
Accounts payable & accrued liabilities	<u>341,574</u>
Total current liabilities	1,534,618
Deferred inflows of resources	
Pension related	<u>188,912</u>
Commitments and contingencies	
Net position	
Invested in capital assets	14,064
Temporarily restricted	1,493
Unrestricted (deficit)	<u>(1,200,825)</u>
Total net position	<u>\$ (1,185,268)</u>

See Accompanying Notes to the Financial Statements

RAINBOW DREAMS ACADEMY CHARTER SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

		PROGRAM REVENUES	NET(EXPENSES) REVENUES AND CHANGES IN NET POSITION
	EXPENSES	OPERATING GRANTS AND CONTRIBUTIONS	TOTAL GOVERNMENTAL ACTIVITIES
GOVERNMENTAL ACTIVITIES			
Regular programs	\$ (1,136,137)	\$ 266,676	\$ (869,461)
Special programs	(77,582)	77,582	0
Support Services:			
School administration	(1,598,748)		(1,598,748)
Operation and maintenance	(515,157)		(515,157)
Total Public Charter School	<u>\$ (3,327,624)</u>	<u>\$ 344,258</u>	<u>(2,983,366)</u>
State aid not restricted to specific purposes			2,480,465
Local aid not restricted to specific purposes			<u>75,840</u>
Total general revenues			<u>2,556,305</u>
Change in net position			(427,061)
Net position, beginning			<u>(758,207)</u>
Net position, ending (deficit)			<u>\$ (1,185,268)</u>

See Accompanying Notes to the Financial Statements

RAINBOW DREAMS ACADEMY CHARTER SCHOOL
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

	GENERAL FUND	SPECIAL REVENUE FUND	TOTAL GOVERNMENTAL FUNDS
ASSETS			
Cash	\$ 157,296	\$ -	\$ 157,296
Receivables	74,753	-	74,753
Prepaid expenses	3,830	-	3,830
Total assets	<u>\$ 235,879</u>	<u>\$ -</u>	<u>\$ 235,879</u>
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Accounts payable and accrued liabilities	<u>\$ 341,574</u>	<u>\$ -</u>	<u>\$ 341,574</u>
Total liabilities	<u>341,574</u>	<u>-</u>	<u>341,574</u>
FUND BALANCE			
Unreserved fund balance	<u>(105,695)</u>	<u>-</u>	<u>(105,695)</u>
Total fund balance	<u>(105,695)</u>	<u>-</u>	<u>(105,695)</u>
Total liabilities and fund balance	<u>\$ 235,879</u>	<u>\$ -</u>	<u>\$ 235,879</u>

See Accompanying Notes to the Financial Statements

RAINBOW DREAMS ACADEMY CHARTER SCHOOL
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2017

Total fund balance - governmental fund	\$ (105,695)
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets and deposits are not financial resources and, therefore, are not reported in the funds.	<u>39,064</u>
Deferred outflows/inflows of resources are not current financial resources or liabilities and, therefore, not reported in governmental fund financial statements	
Deferred outflows related to pensions	263,319
Deferred inflows related to pensions	<u>(188,912)</u>
	74,407
Net pension liability is not due and payable in the current period and therefore is not reported in the governmental fund financial statements	<u>(1,193,044)</u>
Total net position - governmental activities - general	<u><u>\$ (1,185,268)</u></u>

RAINBOW DREAMS ACADEMY CHARTER SCHOOL
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND - GENERAL
FOR THE YEAR ENDED JUNE 30, 2017

	GENERAL	SPECIAL EDUCATION	TOTAL GOVERNMENTAL FUNDS
REVENUES			
Donations	\$ 75,840	\$ -	\$ 75,840
State sources	2,480,465	50,630	2,531,095
Federal sources	266,676	26,952	293,628
Total revenue	<u>2,822,981</u>	<u>77,582</u>	<u>2,900,563</u>
EXPENDITURES			
Programs-Instruction			
Salaries	632,978	-	632,978
Employee benefits	259,623	-	259,623
Purchased services	103,330	77,582	180,912
Supplies	<u>140,206</u>	<u>-</u>	<u>140,206</u>
Total program expenditures	1,136,137	77,582	1,213,719
Support services			
Instructional staff support	258,990	-	258,990
Employee benefits	195,857	-	195,857
Purchased services	236,369	-	236,369
General administration	451,192	-	451,192
Professional services	278,870	-	278,870
Rent	426,689	-	426,689
Repairs and maintenance	32,684	-	32,684
Utilities	<u>55,784</u>	<u>-</u>	<u>55,784</u>
Total support services	<u>1,936,435</u>	<u>-</u>	<u>1,936,435</u>
Total expenditures	<u>3,072,572</u>	<u>77,582</u>	<u>3,150,154</u>
Excess of revenues over (under) expenditures	(249,591)	-	(249,591)
Fund balance, beginning of year	<u>143,896</u>	<u>-</u>	<u>143,896</u>
Fund balance, end of year	<u><u>\$ (105,695)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (105,695)</u></u>

See Accompanying Notes to the Financial Statements

RAINBOW DREAMS ACADEMY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

1. Summary of significant accounting policies

The financial statements of the Rainbow Dreams Academy Charter School (the "School") have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) applicable to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Reporting entity – Rainbow Dreams Academy Charter School is a "charter school", established in 2007 under Nevada Revised Statute 386.500. The School's major operation is to offer an educational environment where learning is maximized through individual instruction, interdisciplinary projects and access to a full spectrum of technological resources for kindergarten through sixth grade in Southern Nevada.

The School receives funding from state and government sources and must comply with the requirements of these funding sources. However, the School 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.

Government-wide and fund financial statements – The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all the nonfiduciary activities of the School. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function.

Basis of presentation – fund accounting – The accounts of the School 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 in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The operations of the School's funds are accounted with separate sets of self-balancing accounts that comprise their assets, liabilities, fund equity, revenues and expenditures.

RAINBOW DREAMS ACADEMY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

1. Summary of significant accounting policies (Continued)

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

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

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

Account Groups – The general fixed assets account group is used to account for fixed assets that are not accounted for in proprietary or trust funds.

Cash -- The School considers cash equivalents to be those securities with an original maturity of three months or less.

Receivables – Receivables balance consists of funds due from the Nevada Department of Education in the amount of \$16,696 and donations in the amount of \$58,057. Management believes the entire amounts of receivables at June 30, 2017 to be collectible.

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

Capital assets – The School's capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are listed at their estimated fair value at the date of donation. The total of these estimates is not considered large enough that any errors would be material when capital assets are considered as a whole.

It is the policy of the School to capitalize all capital assets costing more than \$5,000 with an estimated useful life of three or more years. In addition, other items which are purchased and used in large quantities such as student desks and 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 over the assets' useful lives. 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>
Computer equipment	3
Furniture and equipment	5
Instructional materials	5
Improvements	10

Use of Estimates – The School has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

RAINBOW DREAMS ACADEMY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

1. Summary of significant accounting policies (Continued)

Net assets/ Fund balances – Net assets in the government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net assets represent constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

In the governmental fund financial statements, reservations of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

The governmental fund balance sheet includes reconciliation between fund balance - total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. The net adjustment of \$39,064 consists of several elements as follows:

<u>DESCRIPTION</u>	<u>AMOUNT</u>
Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds (total capital assets on government-wide statement in governmental activities column).	\$517,241
Less accumulated depreciation and deposits	(478,177)
Total adjustment	<u>\$39,064</u>

2 Cash

The Company maintains cash balances at a financial institution with accounts insured by the Federal Deposit Insurance Corporation up to \$250,000. As of June 30, 2017, the Company's uninsured cash balance was zero.

3. Capital assets

Capital assets activity for the year ended June 30, 2017 were as follows:

Governmental Activities:	Beginning Balance	Increases	Decreases	Ending Balance
Furniture and equipment	\$ 289,987	\$ -	\$ -	\$ 289,987
Leasehold improvements	227,254	-	-	227,254
	\$ 517,241	\$ -	\$ -	\$ 517,241
Less: accumulated depreciation	(463,457)	(39,720)	-	(503,177)
Governmental capital assets, net	<u>\$ 53,784</u>	<u>\$ (39,720)</u>	<u>\$ -</u>	<u>\$ 14,064</u>

RAINBOW DREAMS ACADEMY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

4. Defined benefit pension plan

The School is a public employer participating in the Public Employees Retirement System of the State of Nevada (PERS), a defined benefit cost-sharing multiple-employer program, and all full-time teachers are covered under the system. The School has no liability for unfunded obligations of the system as provided by NRS 286.110.

Benefits, as required by statute, are determined by the number of years of accredited service at the time of retirement and the member's highest average compensation in any 36 consecutive months. Benefit payments to which participants may be entitled under the plan include pension benefits, disability benefits, and death benefits.

Monthly benefit allowances for regular members are computed at 2.5% for each year of service earned before July 1, 2001 and 2.67% for each year of service earned after July 1, 2001 of average compensation (36 consecutive months of highest compensation) with a ceiling of not more than 75% of the average compensation. PERS offers several alternatives to the unmodified service retirement allowance which, in general, allows the retired employee to accept a reduced service retirement allowance payable monthly during the employee's life and various optional monthly payments to a named beneficiary after the employee's death. Regular members are eligible for retirement benefits at age 65 with 5 years of service, at age 60 with 10 years of service, or at any age with 30 years of service. A member who retires on or after July 1, 1977, or is an active member whose effective date of membership is before July 1, 1977, or is an active member whose effective date of membership is before July 1, 1985, and who has 36 years of service is entitled to a benefit of up to 90% of his/her average compensation. When members are eligible for the earlier retirement due to the increased services years, the ceiling limitation on monthly benefit allowances increases from the normal 75% to a maximum of 90% of average compensation. Regular members become fully vested as to benefits upon completion of 5 years of service. Benefits are established by state statute and provisions may only be amended through legislation.

Member contribution rates, which are actuarially determined, are established by NRS 286.421 for public employees enrolled in the contribution plan. Two contribution plans are offered to eligible employees, the employee/employer contribution plan and the employer-pay contribution plan. A contribution of 14.5% is deducted from the employee and a matching contribution of 14.5% is paid by the employer. The employer-pay contribution plan requires an employer paid contribution rate of 28% on a lower salary schedule. The School's contributions to the plan for the year ended June 30, 2017 was \$258,195.

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. Members become fully vested as to benefits upon completion of five years of service.

PERS' policies which determine the investment portfolio target asset allocation are established by the PERS 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 PERS Board adopted policy target asset allocation as of June 30, 2016:

Asset Class	Target Allocation	Long-Term Geometric Expected Real Rate of Return
Domestic Equity	42%	5.5%
International Equity	18%	5.75%
Domestic Fixed Income	30%	.25%
Private Market	10%	6.8%

As of June 30, 2016, PERS' long-term inflation assumption was 3.5%.

RAINBOW DREAMS ACADEMY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

4. Defined benefit pension plan (continued)

At June 30, 2017, the School 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. The School's proportion of the net pension liability was based on the School's share of contributions in the PERS pension plan relative to the total contributions of all participating PERS employers. At July 1, 2016, the School's proportion was 0.00887%.

The following presents the net pension liability of the School as of June 30, 2016, calculated using the discount rate of 8.00%, as well as what the School's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00%) or 1-percentage-point higher (9.00%) than the current discount rate:

	1% Decrease in Discount Rate (7.00%)	Discount Rate (8.00%)	1% Increase in Discount Rate (9.00%)
Net Pension Liability	\$ 1,749,654	\$ 1,193,648	\$ 731,057

Detailed information about the pension plan's fiduciary net position is available in the PERS Comprehensive Annual Financial Report, available on the PERS website.

The School's 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. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation Rate	3.50%
Payroll Growth	5.00% including inflation
Investment Rate of Return	8.00%
Productivity Pay Increase	0.75%
Projected Salary Increases Regular:	4.60% to 9.75%, depending on service
	Rates include inflation and productivity increases
Consumer Price Index	3.50%
Other Assumptions	Same as those used in the June 30, 2016 funding actuarial valuation.

Mortality rates for non-disabled male regular members were based on the RP-2000 Combined Healthy Mortality Table projected to 2013 with Scale AA. Mortality rates for non-disabled female regular members were based on the RP-2000 Combined Healthy Mortality Table, projected to 2013 with Scale AA, set back one year. Mortality rates for all non-disabled police/fire members were based on the RP-2000 Combined Healthy Mortality Table projected to 2013 with Scale AA, set forward one year. The mortality table used in the actuarial valuation to project mortality rates for all disabled regular members and all disabled police/fire members is the RP-2000 Disabled Retiree Mortality Table projected to 2013 with Scale AA, set forward three years.

Actuarial assumptions used in the June 30, 2016 valuation were based on the results of the experience review completed in 2015.

The discount rate used to measure the total pension liability was 8.00% as of June 30, 2016 and June 30, 2015. 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, 2016, 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, 2016 and June 30, 2015.

RAINBOW DREAMS ACADEMY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

4. Defined benefit pension plan (continued)

For the year ended June 30, 2016, the School recognized pension expense of \$157,575. At June 30, 2017, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 79,889
Net difference between projected and actual earnings on pension plan investments	110,908	-
Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate contributions	152,411	109,023
School contributions subsequent to the measurement date	-	-
Total	<u>\$ 263,319</u>	<u>\$ 188,912</u>

\$263,319 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.

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, 2013 (the beginning of the measurement period ended June 30, 2014) is 6.7 years.

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

Year	Amount
2018	\$ 46,325
2019	46,325
2020	46,325
2021	46,325
Thereafter	3,612
	<u>\$ 188,912</u>

Reconciliation of Net Pension Liability

	Amount
Beginning Net Pension Liability	\$ 856,362
Pension Expense	157,575
Employer Contributions	179,107
New Net Deferred Inflows/(Outflows)	-
Recognition of Prior Deferred (Inflows)/Outflows	-
Ending Net Pension Liability	<u>\$ 1,193,044</u>

RAINBOW DREAMS ACADEMY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

4. Defined benefit pension plan (continued)

Additional information is located in the PERS Comprehensive Annual Financial Report (CAFR), available on the PERS' website at www.nvpers.org under Quick Links - Publications. The report may also be obtained by calling 775-687-4200.

5. Commitments and Contingencies

The School entered into an agreement with Rainbow Dreams Educational Foundation commencing on March 1, 2017 through July 1, 2036 with a renewal option. Terms of the lease specify annual base rent of \$335,209 through February 1, 2018.

6. Compliance with Nevada revised statutes and Nevada Administrative code

The School conformed to all significant statutory constraints on the financial administration during the fiscal year.

7. Subsequent events

The School has evaluated subsequent events through October 18, 2017, the date the financial statements were issued.

RAINBOW DREAMS ACADEMY CHARTER SCHOOL
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET TO ACTUAL FOR THE GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017 (UNAUDITED)

REVENUES	BUDGET	ACTUAL	VARIANCE
State Sources:			
Distributive school fund	\$ 2,349,768	\$ 2,480,465	\$ 130,697
Federal Sources:	241,646	266,676	25,030
Local Sources:			
Contributions	25,000	75,840	50,840
Total Revenues	2,616,414	2,822,981	206,567
EXPENDITURES			
Regular Programs:			
Instruction:			
Salaries	485,000	632,978	(147,978)
Benefits	185,045	259,623	(74,578)
Purchased services	135,000	103,330	31,670
Supplies	125,924	140,206	(14,282)
Support Services:			
Salaries	386,000	258,990	127,010
Benefits	37,901	195,857	(157,956)
Purchased services	763,456	236,369	527,087
General administration	71,399	818,530	(747,131)
Rent	426,689	426,689	-
	2,616,414	3,072,572	(456,158)
Total Expenditures	2,616,414	3,072,572	(456,158)
Net Change in Fund Balance	-	(249,591)	(249,591)
Fund balance, July 1	143,896	143,896	-
Fund balance, June 30	\$ 143,896	\$ (105,695)	\$ (249,591)

See Accompanying Notes to the Financial Statements



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

Board of Directors
Rainbow Dreams Academy Charter School
Las Vegas, 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 Rainbow Dreams Academy Charter School, which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued my report thereon dated October 18, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Rainbow Dreams Academy Charter School 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 Rainbow Dreams Academy Charter School internal control. Accordingly, we do not express an opinion on the effectiveness of Rainbow Dreams Academy Charter School 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 Rainbow Dreams Academy Charter School 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 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 Rainbow Dreams Academy Charter School internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

HRP CPAs

HRP CPAs
October 18, 2017
Las Vegas, Nevada