

SILVER SANDS MONTESSORI CHARTER SCHOOL

FINANCIAL STATEMENTS

JUNE 30, 2017

(Independent Auditor's Report Thereon)

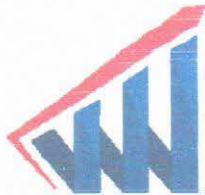
*The report accompanying these financial statements  
was issued by Watkins Jackson CPAs, PLLC,  
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WATKINS JACKSON CPAs

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
Silver Sands Montessori Charter School  
Las Vegas, Nevada

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Silver Sands Montessori Charter School (the "School"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

Our responsibility is to express 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.

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Silver Sands Montessori Charter School as of June 30, 2017, and the respective changes in financial position 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 and budgetary comparison information on pages 3 through 8 and 28 and 29, and the supplemental pension information on page 30 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 supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Silver Sands Montessori Charter School's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Nevada Department of Education and is also not a required part of the basic financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates 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 November 29, 2017 on our consideration of the Silver Sands Montessori Charter School's internal control over financial reporting and 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 Silver Sands Montessori Charter School's internal control over financial reporting and compliance.

*Watkins Jackson CPAs*

Watkins Jackson CPAs  
November 29, 2017  
Las Vegas, Nevada

Silver Sands Montessori Charter School  
Management's Discussion and Analysis  
June 30, 2017

As management of the Silver Sands Montessori Charter School, hereafter referred to as "SSMCS", we offer readers of SSMCS's audited financial statements this narrative overview and analysis of the financial activities of SSMCS 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**

- The assets of SSMCS exceeded its liabilities at the close of the fiscal year by \$333,382. This amount is substantially less than the governmental fund balance due to the new standard issued by the Governmental Accounting Standards Board (GASB) for pension accounting and financial reporting. This standard (GASB 68) requires that employers' report obligations associated with providing pension benefits. Details that define this report on the school's Statement of Net Position Government Activities - General Statement of Net Position report begins on page 9.
- Benefit pension plan reporting is defined in detail in footnote 5 in the Notes to Financial Statements.
- At the end of the fiscal year, the general fund reported a positive fund balance of \$1,289,627.
- The post audit, Average Quarterly Daily Enrollment for FY17 was 293.3.
- SSMCS received three special education federal grants that were passed through the State.
  - The FY17 Local Plan B, and Plan B Early Childhood were awarded for the amount of \$7,225 and \$1177, respectively. These funds are mainly used towards the Special Education contract services (Speech, OT, and Psych services), and in FY17 it was able to cover 50% of our speech pathology services. In FY18 our Special Education count has increased by 45%+ from last year, so we are hopeful that this funding continues to assist our Special Education program.
  - Also in FY17, the school received a Title II grant to fund professional development for our teachers. We utilized the grant to sponsor certified Montessori training via webinar, and hands on sessions. The trainings not only brought about clarity and strength in understanding Montessori materials, lessons, and concepts, but it also brought new ideas and excitement to both lead and support teachers. \$5,190 Title II funds were awarded in the FY17.
  - In the past, we received Title III funding to assist English Learner students, however, the number of EL students in FY17 was minimal. Initial screening in FY18 shows some growth in EL student numbers, from 2 to 12, so hopefully we will be able to tap in to Title III federal funding in this coming year.
- In FY17, we received approval for .8 of a unit for Special Education funds from the State. The DSA Special Education amount received by the school for FY17 totaled \$35,619.
- SSMCS went through mediation in February 2016 to pursue the insurance claim for damages and expenses incurred by the school from the December 2012 water damage incident. Settlement funds were received in FY17.
  - Of the three parties involved in the mediation, two of them settled with the school at the time of the meetings. A few weeks after, the last party offered their final settlement. The total settlement amount was \$195,000.
  - Of the \$195,000 settlement: \$118,842 went towards legal fees, and outstanding bills from the incident. The remaining amount, \$76,158 (plus, an additional \$6,312 credits and refunds from the legal process) was mainly used to replenish the school's fundraising account that was utilized to redo the remediation correctly, and put the school back together.
  - Based on expenses tracked due to the water damage, the settlement funds covered about 41% of the school's incurred expenses because of the water damage. However, in the middle of the insurance recovery debacle, the school's landlord sold the building, and a new lease was negotiated with new property owners. The school's new landlord wanted to assist the school

in this difficult time. So, in the new lease, they wrote in that in the first 6 months the school would receive a 50% partial rent abatement. They also assisted the school in funding for our long-awaited outdoor playground because we had used our playground fundraising funds to help put the school back together again. Adding those two items up accounts for more than the remaining 59% of school's incurred expenses. It was a difficult period that spanned a little over 4 years to finally bring to closure, but the school was able to regain all losses which were not expected and quite amazing. I place most of the credit to a strong and highly experienced legal representative for the school, and to our kind and very generous property owners. We were very fortunate.

- In March of FY16, SSMCS suffered a burglary loss. The police arrested the people involved, and recovered some of the items that were stolen. Insurance settlement came in FY17 in the amount of \$18,932. The remainder of the loss should be resolved in the next quarter with the school's insurance company. Damages to the building from the burglary were repaired by the owners of the building, who also graciously assumed the cost of those repairs. The school installed a security alarm and camera system which was paid for by PTO fundraising funds.
- Fundraising, especially for the student Milestone trips, have been more aggressive and successful in FY17 which gave families who were sending their students on their Milestones huge financial assistance. We would like to continue with the same fundraising intensity in hopes that we can get higher attendance percentages at the Milestone levels to provide the opportunity to attend their special field trip.
- SSMCS has no long-term debt.

## Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to SSMCS's basic financial statements. SSMCS'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 SSMCS.

### Basic Financial Statements

The first two statements (pages 9 and 10) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about SSMCS's financial status.

The next statements (pages 11 and 12) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of SSMCS'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.

### Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of SSMCS'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 SSMCS's financial status as a whole.

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

#### Fund Financial Statements

The fund financial statements provide a more detailed look at SSMCS'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. SSMCS, 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 State Statutes or SSMCS'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.

### **Governmental Funds**

The focus of SSMCS's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing SSMCS'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 main operating fund of SSMCS.

At June 30, 2017, the governmental funds of SSMCS reported fund balance of \$1,289,627.

### **Comparative Financial Statements**

Comparative financial statements are presented on pages 7 and 8 for the purpose comparing year over year financial activity and further analysis.

### **Economic Factors**

SSMCS originally received our charter in 2009 from the Nevada State Board of Education to operate as a grade K-8 school. FY17 was SSMCS' 8<sup>th</sup> year of operation, which was the second year under the new charter contract that was approved by the SPCSA in March 2015. A new Special Programs Administrator was hired towards the beginning of the FY17 school year to join leadership team to coordinate and manage our Special Education programs, as well as our Title II, and Title III (EL program), and assist with testing.

At the fiscal year ending June 30, 2017, SSMCS's average quarterly daily enrollment for FY17 was 293.3. The school continues to serve students throughout the valley, including Henderson, Las Vegas, and North Las Vegas.

The student enrollment size has seen a slight increase in Upper Elementary, and Middle School, which is fortunate as Kindergarten classroom sizes have been limited by the State to 23 students, unless approved to increase by our school board to 25 which we did. In this current fiscal year, 2017-18, we have an additional (and temporary) ½ classroom in Upper Elementary, with the current enrollment being 316 which is a slight increase of 8% from last year. In the past we have seen our families transition their students when entering middle school, however, in the past two years we are seeing that more are choosing to stay and continue with us for their student's middle school years.

In the last few fiscal years, supplementary funding has assisted the school in the areas of Special Education, Title II and Title III programs. These in particular are Federal grants that are passed through the State, and managed and distributed by our State sponsor, the SPCSA. The school's demographics seems to be

changing, as we are seeing our EL (English Learner) program, Special Education programs, and even FRL (Free & Reduced Lunch) program are growing in numbers.

In FY16, with the State's transition to funding Full-Day Kindergarten (FDK), it was difficult to balance a budget, and we really kept things tight, plus, the burglary also had us very cautious on our spending which I believe carried on in to FY17. But at the start of the second semester, after legal and insurance settlements came in, it became clear that SSMCS could finally move on to work on projects that were put on hold, and feel more comfortable pushing forward on some of our short-term and long-term goals that require substantial funding that we do not have tied up anymore. Our intention is definitely not to deplete our reserves as that is what gave us strength in our time of crisis and need, but we had placed larger projects on hold until settlements were resolved, and now both Administration and the School Board are excited to move forward on them.

PTO, and other school fundraising projects continue to support growth and assist with school expenses and special projects.

### **Requests for Information**

This report is designed to provide an overview of SSMCS'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 Marlo Tsuchiyama, Head of School and Director of Finance, Silver Sands Montessori Charter School, 1841 Whitney Mesa Dr., Suite 100, Henderson, NV 89014, telephone (702) 522-6220.

SILVER SANDS MONTESSORI CHARTER SCHOOL  
STATEMENT OF NET POSITION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017

	<u>2017</u>	<u>2016</u>	<u>\$ Change</u>
<b>ASSETS</b>			
Current assets			
Cash	\$ 1,493,947	\$ 1,318,409	\$ 175,538
Due from other governments	40,771	22,166	18,605
Total current assets	<u>1,534,718</u>	<u>1,340,575</u>	<u>194,143</u>
Capital assets, net of accumulated depreciation	-	3,096	(3,096)
Other assets			
Refundable deposits	<u>9,650</u>	<u>9,400</u>	<u>250</u>
Total assets	<u>1,544,368</u>	<u>1,353,071</u>	<u>191,297</u>
Deferred outflows of resources			
Pension contribution	<u>719,628</u>	<u>402,893</u>	<u>316,735</u>
<b>LIABILITIES</b>			
Accounts payable	1,438	-	1,438
Accrued payroll and benefits	178,540	174,951	3,589
Accrued expenses - other	42,303	17,488	24,815
Deferred revenue	32,460	31,500	960
Net pension liability	<u>1,543,443</u>	<u>1,129,273</u>	<u>414,170</u>
Total liabilities	<u>1,798,184</u>	<u>1,353,212</u>	<u>444,972</u>
Deferred inflows of resources			
Pension related	<u>132,430</u>	<u>157,936</u>	<u>(25,506)</u>
<b>NET POSITION</b>			
Invested in capital assets	-	241,720	(241,720)
Unrestricted	<u>333,382</u>	<u>3,096</u>	<u>330,286</u>
<b>TOTAL NET POSITION</b>	<u><u>\$ 333,382</u></u>	<u><u>\$ 244,816</u></u>	<u><u>\$ 88,566</u></u>

SILVER SANDS MONTESSORI CHARTER SCHOOL  
STATEMENT OF ACTIVITIES  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30,

	<u>2017</u>	<u>2016</u>	<u>\$ Change</u>
Revenues			
Program revenues			
Operating grants and contributions	\$ 329,291	\$ 286,625	\$ 42,666
General revenues			
Local school support taxes	<u>1,786,150</u>	<u>1,722,998</u>	<u>63,152</u>
Total Revenues	<u>2,115,441</u>	<u>2,009,623</u>	<u>105,818</u>
Expenses			
Instruction			
Instruction general	767,952	739,933	47,894
Student and instructional support	<u>260,488</u>	<u>273,782</u>	<u>(13,294)</u>
Total instruction	<u>1,028,440</u>	<u>1,013,715</u>	<u>34,600</u>
Support services			
Administrative	415,483	363,346	52,137
Operational expenses	380,918	401,990	(21,072)
Depreciation	3,096	18,589	(15,493)
Other support	<u>198,938</u>	<u>186,001</u>	<u>12,937</u>
Total support services	<u>998,435</u>	<u>969,926</u>	<u>28,509</u>
Total expenses	<u>2,026,875</u>	<u>1,983,641</u>	<u>\$ 43,234</u>
Change in net position	88,566	25,982	62,584
Net Position, Beginning of year	<u>244,816</u>	<u>218,834</u>	
Net Position, End of year	<u>\$ 333,382</u>	<u>\$ 244,816</u>	

SILVER SANDS MONTESSORI CHARTER SCHOOL  
STATEMENT OF NET POSITION  
GOVERNMENT ACTIVITIES - GENERAL  
JUNE 30, 2017

	<u>Governmental Activities</u>
ASSETS	
Current assets	
Cash	\$ 1,493,947
Due from other governments	<u>40,771</u>
Total current assets	1,534,718
Capital assets (net of accumulated depreciation of \$92,943)	-
Other assets	
Refundable deposits	<u>9,650</u>
Total assets	<u>1,544,368</u>
Deferred outflows of resources	
Pension contribution	<u>719,628</u>
LIABILITIES	
Accounts payable	1,438
Accrued payroll and benefits	178,540
Accrued expenses - other	42,303
Deferred revenue	32,460
Net pension liability	<u>1,543,443</u>
Total liabilities	1,798,184
Deferred inflows of resources	
Pension related	<u>132,430</u>
NET POSITION	
Invested in capital assets	-
Unrestricted	<u>333,382</u>
TOTAL NET POSITION	<u>\$ 333,382</u>

See Accompanying Notes to the Financial Statements

SILVER SANDS MONTESSORI CHARTER SCHOOL  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2017

Functions / Programs	Expenses	Operating Grants and Contributions	Net (Expense) Revenues and Changes in Net Position Governmental Activities
Governmental activities			
Instruction			
Instruction general	\$ 767,952	\$ -	\$ (767,952)
Student and instructional support	260,488	(13,592)	(246,896)
Total instruction	<u>1,028,440</u>	<u>(13,592)</u>	<u>(1,014,848)</u>
Support services			
Administrative	415,483	-	(415,483)
Operational expenses	380,918	-	(380,918)
Depreciation	3,096	-	(3,096)
Other support	198,938	-	(198,938)
Total support services	<u>998,435</u>	<u>-</u>	<u>(998,435)</u>
Total governmental activities	<u>\$ 2,026,875</u>	<u>\$ (13,592)</u>	<u>(2,013,283)</u>
General revenues			
Distributive school account			1,786,150
Other state aid unrestricted			107,010
Local aid unrestricted			<u>208,689</u>
Total general revenue			<u>2,101,849</u>
Change in net position			88,566
Net Position, Beginning of year			<u>244,816</u>
Net Position, End of year			<u>\$ 333,382</u>

See Accompanying Notes to the Financial Statements

SILVER SANDS MONTESSORI CHARTER SCHOOL  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2017

	General Fund	Special Education Revenue Fund	Total Governmental Funds
ASSETS			
Current assets			
Cash	\$ 1,493,947	\$ -	\$ 1,493,947
Due from other governments	40,771	-	40,771
Total current assets	1,534,718	-	1,534,718
Other assets			
Refundable deposits	9,650	-	9,650
Total assets	<u>\$ 1,544,368</u>	<u>\$ -</u>	<u>\$ 1,544,368</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$ 1,438	\$ -	\$ 1,438
Accrued payroll and benefits	178,540	-	178,540
Accrued expenses - other	42,303	-	42,303
Deferred revenue	32,460	-	32,460
Total current liabilities	254,741	-	254,741
Commitments and contingencies			
Fund balance			
Committed	40,771	-	40,771
Unassigned	1,248,856	-	1,248,856
Total fund balance	1,289,627	-	1,289,627
Total liabilities and fund balance	<u>\$ 1,544,368</u>	<u>\$ -</u>	<u>\$ 1,544,368</u>

See Accompanying Notes to the Financial Statements

SILVER SANDS MONTESSORI CHARTER SCHOOL  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL  
FUNDS TO THE STATEMENT OF NET POSITION  
JUNE 30, 2017

Total fund balance - governmental funds	\$ 1,289,627
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Amounts reported for governmental activities in the statement of net position are different because:

Deferred outflows/inflows of resources are not current financial resources or liabilities and, therefore, not reported in the Governmental Fund financial statements.

Deferred outflows related to pensions	719,628
Deferred inflows related to pensions	<u>(132,430)</u>
	587,198

Net pension liability is not due and payable in the current period and therefore is not reported in the Governmental Fund financial statements.	<u>(1,543,443)</u>
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Total net position - governmental activities	<u><u>\$ 333,382</u></u>
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SILVER SANDS MONTESSORI CHARTER SCHOOL  
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN  
FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2017

	General	Special Revenue Fund	Total Governmental Funds
REVENUE			
Local sources	\$ 208,689	\$ -	\$ 208,689
State sources	1,786,150	107,010	1,893,160
Federal sources	-	13,592	13,592
Total Revenue	1,994,839	120,602	2,115,441
EXPENDITURES			
Instructional programs			
Salaries	376,980	71,391	448,371
Employee benefits	178,590	-	178,590
Purchased services	46,056	-	46,056
Supplies	47,041	-	47,041
Total instructional programs	648,667	71,391	720,058
Student and Instructional support			
Salaries	155,664	-	155,664
Employee benefits	57,165	-	57,165
Professional and technical services	23,694	23,965	47,659
Total instructional support	236,523	23,965	260,488
Administrative			
Salaries	282,718	25,246	307,964
Employee benefits	82,534	-	82,534
Supplies	950	-	950
Total administrative	366,202	25,246	391,448
Other support			
Employee benefits	29,564	-	29,564
Professional and technical services	44,356	-	44,356
Supplies	785	-	785
Total other support	74,705	-	74,705
Operational expenses			
Professional and technical services	19,104	-	19,104
Purchased services	327,704	-	327,704
Supplies	34,110	-	34,110
Total operational expenses	380,918	-	380,918
External activity expenses			
Professional and technical services	31,442	-	31,442
Purchased services	31,097	-	31,097
Supplies	60,939	-	60,939
Total administrative	123,478	-	123,478
Miscellaneous expenses			
Dues and fees	755	-	755
Total miscellaneous expenses	755	-	755
Total expenditures	1,831,248	120,602	1,951,850
Excess of revenues over expenditures	163,591	-	163,591
FUND BALANCE, beginning of year	1,126,036	-	1,126,036
FUND BALANCE, end of year	\$ 1,289,627	\$ -	\$ 1,289,627

See Accompanying Notes to the Financial Statements

SILVER SANDS MONTESSORI CHARTER SCHOOL  
RECONCILIATION OF THE STATEMENT OF ACTIVITIES TO THE STATEMENT OF REVENUE  
EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS  
JUNE 30, 2017

Net change in fund balance - total governmental fund	\$ 163,591
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Amounts reported for governmental activities in the statement of activities are different because:

The acquisition of capital assets are reported in the governmental funds as expenditures. However, for governmental activities those costs are shown as capital assets in the statement of net assets and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount of the current year's depreciation.

(3,096)

Pension contributions are reported as expenditures in the governmental funds when paid; however, they are reported as deferred outflows of resources in the Statement of Net Position because the reported net pension liability is measured a year before the school's report date. Pension expense, which is the change in the net pension liability adjusted for changes in outflows and inflows of resources related to pensions, is reported in the Statement of Activities.

Pension expense - difference between actuarially determined  
liability and actual contributions made

(71,929)

Change in net position - governmental activities

\$ 88,566

SILVER SANDS MONTESSORI CHARTER SCHOOL  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2017

	<u>PTO Activities</u>	<u>Student Activities</u>
ASSETS		
Cash	<u>\$ 15,337</u>	<u>\$ 135,134</u>
NET POSITION		
Held in trust	<u>\$ 15,337</u>	<u>\$ 135,134</u>

See Accompanying Notes to the Financial Statements

SILVER SANDS MONTESSORI CHARTER SCHOOL  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2017

	Parent Teacher Organization	Student Activities
ADDITIONS:		
Direct public support	\$ 7,371	\$ 115,930
DEDUCTIONS:		
Current:		
Regular programs	<u>10,094</u>	<u>21,570</u>
Change in Net Assets	(2,724)	94,360
NET POSITION, July 1	<u>18,061</u>	<u>40,774</u>
NET POSITION, June 30	<u>\$ 15,337</u>	<u>\$ 135,134</u>

SILVER SANDS MONTESSORI CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017

1. Summary of significant accounting policies

The financial statements of the Silver Sands Montessori Charter School (the "School") have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) applicable to government units, with the exception of the criteria mandated by the Nevada Department of Education requiring charter schools to expense all asset purchases under \$5,000. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Reporting entity – Silver Sands Montessori Charter School is a "charter school", established in August 2009 under Nevada Revised Statute 386.500 to 386.610, along with other stipulations specified in the Charter agreement. 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 Montessori materials and technological resources for kindergarten through eighth 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 position 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. Any interfund activities related to services provided and used between functions are not eliminated. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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.

The major individual governmental funds are reported as separate columns in the fund financial statements, even though they are excluded from government-wide financial statements.

Measurement focus and 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. Under GAAP, all governmental funds are accounted using a modified accrual basis of accounting under which revenues are recognized when they become measurable and available as net current assets. Expenditures are recognized generally under the modified accrual basis of accounting in use when the related fund liability is incurred.

*Government-wide Financial Statements.* The government-wide financial statements are reported on a consolidated basis and using the economic resources measurement focus. The government-wide financial statements report information on all activities of the School except for fiduciary activity using 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 School gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants and donations. Revenue from grants and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

SILVER SANDS MONTESSORI CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017

1. Summary of significant accounting policies (continued)

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

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

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.

Special Education Fund – The Special Education fund is used to account for revenues received and expenditures made to fund special education program. Financing is provided through the Nevada Department of Education funded by the U.S. Department of Education.

Fiduciary Funds – Fiduciary Funds are used to account for assets held by the School on behalf of others. Assets are held by the School for student fundraising activities and the Parent Teacher Organization.

Under the terms of grant agreements, the School 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 School's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues, using use restricted resources first, then unrestricted resources as they are needed.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and the governmental fund financial statements to the extent they do not conflict or contradict guidance of the GASB. Governments also have the option of following subsequent private sector guidance for their business type activities and enterprise funds. The EIAA has no enterprise funds, so the Board has elected to not follow subsequent private sector guidance. The EIAA applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted funds are available.

Cash and investments – The School considers cash equivalents to be those securities with an original maturity of three months or less. The School's governing body has not formally adopted deposit and investment policies.

State statutes authorize deposits in any bank, credit union or savings and loan that are federally insured. The Board may invest in the following securities:

- United States bonds and debentures, bills and notes of the United States Treasury, or obligations of the United States or a corporation sponsored by the government maturing within ten (10) years from the date of purchase.
- Certain farm loan bonds.

SILVER SANDS MONTESSORI CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017

1. Summary of significant accounting policies (continued)

- Negotiable certificates of deposit from commercial banks, insured credit unions or insured savings and loan associations.
- State of Nevada Local Government Pooled Investment Fund.
- Certain securities issued by local governments of the State of Nevada.
- Negotiable notes or medium-term negotiable bonds issued by local governments of the State of Nevada.
- Certain "AAA" rated money market mutual funds that invest in federal securities.
- Other securities expressly provided by other statutes, including repurchase agreements.
- Certain bankers acceptances not to exceed 180 days maturities or 20% of the money available for investment.
- Obligations of state and local governments rated A or higher and exempt from gross income for federal income tax purposes.
- Certain corporate or depository institution commercial paper purchased from a registered broker-dealer rated A-1, P-1, or better with maturity of no more than 270 days.

Securities purchased by or on behalf of the School must remain in the physical possession of an appropriate officer of the School or a trust department of a designated bank (federally insured) after issuing a written acknowledgment. The School has currently no investments.

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
Equipment	5
Furniture	5

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

Due from other governments – This account includes amounts due from other governments for per-pupil funding and for grants, which are expected to be received within the subsequent year. All other outstanding balances between funds are reported as "due to/from other funds."

Receivables and payables – Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

SILVER SANDS MONTESSORI CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017

1. Summary of significant accounting policies (continued)

Compensated absences – It is the School's policy to permit employees to accumulate an unlimited number of sick days; however, accumulated sick days do not vest under the School's policy, therefore, a liability for unused sick days is not recorded in the financial statements.

Deferred Revenue – Deferred revenue consists of \$32,460 in prepaid fees for technology and kindergarten services for school year 2017 - 2018 but received in school year 2016 - 2017.

Deferred Outflows/Inflows of Resources – In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents the consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources until that time. The School reflects deferred outflows of resources which are related to pensions reported in the statement of net position under the accrual basis of accounting.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School reflects deferred inflows of resources which are related to pensions reported in the statement of net position under the accrual basis of accounting.

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 – Preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results may differ from the estimates.

Reclassification – Certain reclassifications have been made to the prior year's financial statements to conform to the current year presentation. These reclassifications have had no impact on the School's net assets or changes in net assets.

Net assets/ Fund balances – In March 2009, the GASB issued Statement No. 54, Fund Balance Reporting and Governmental Fund-type definitions. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund-type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated, and unreserved/undesignated were replaced with five new classifications - nonspendable, restricted, committed, assigned, and unassigned.

- Nonspendable fund balance represents amounts that are not in a spendable form. The nonspendable fund balance represents inventories and prepaid items.

- Restricted fund balance represents amounts that are legally restricted by outside parties for a specific purpose (such as debt covenants, grant requirements, donor requirements, or other governments) or are restricted by law (constitutionally or by enabling legislation).

SILVER SANDS MONTESSORI CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017

1. Summary of significant accounting policies (continued)

- Committed fund balance represents funds formally set aside by the governing body for a particular purpose. The use of committed funds would be approved by resolution.
- Assigned fund balance represents amounts that are constrained by the expressed intent to use resources for specific purposes that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body or by an official to whom that authority has been given by the governing body.
- Unassigned fund balance is the residual classification of the General Fund. Only the General Fund may report a positive unassigned fund balance. Other governmental funds would report any negative residual fund balance as unassigned.

The School has no restricted fund balances at year ended June 30, 2017.

Net position – In the government-wide statements, Net Position on the Statement of Net Position is classified and displayed in three components:

- Invested in Capital Assets, Net of Related Debt. This is the component of net position that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unexpended proceeds, that is directly attributable to the acquisition, construction or improvement of those assets. School has no investment in capital assets or debt.
- Restricted. The component of net position that reports the constraints placed on the use of assets by the external parties such as creditors, grantors, contributors, and/or enabling legislation.
- Unrestricted. All other net positions that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Expenditure line items – The statements of revenues, expenditures, and changes in fund balances, as well as the statement of activities summarize current expenditure data by major program classifications pursuant to the provisions of *Financial Accounting for Local and State School Systems* as adopted by the Nevada Department of Education. Below is a brief description of these expenditure classifications.

- Regular programs consist of activities designed to provide elementary and secondary students with learning experiences to prepare them as citizens, family members, and non-vocational workers.
- Special programs consist of activities designed primarily to deal with students having special needs. The special programs include kindergarten and elementary services for the gifted and talented, mentally challenged, physically handicapped, emotionally disturbed, culturally different, learning disabled, bilingual, and special programs for other types of students.
- Support services represent all charges not readily assignable directly to a program. Student and instructional staff support as well as the overall general and administrative costs of the School are classified as support services. Also included in this line item are costs of operating, maintaining and constructing the physical facilities of the School.

Advertising costs – All costs associated with advertising and promotions are expensed in the year incurred.

SILVER SANDS MONTESSORI CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017

2. Compliance with Nevada revised statutes and the Nevada Administrative Code

Budgetary information – The School is required by the State of Nevada Department of Education (Department) under NRS 386.550(n) and the Nevada Administrative Code (NAC) 387.725 to adopt a tentative budget by April 15<sup>th</sup> and a final budget no later than June 8 of each year under NAC 386.370, but is not required by the Department to augment the budget during the year. Further, the School 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 School's budget is neither required nor prohibited. The School did not augment its budget. The original and final budgets are presented in the Budgetary Comparison schedules.

Excess of Budget over Actual Expenditures

Total budget appropriations exceeded actual expenditures in the following individual funds:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund	\$ 1,844,158	\$ 1,831,248	\$ (12,910)
Special Revenue Funds	\$ 175,230	\$ 120,602	\$ (54,628)

See schedule of budget versus actual for detail in Required Supplementary Information.

3. Cash

*Custodial Risk*

The School 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 School had uninsured balances totaling \$1,412,625, of which \$0 was collateralized. As of June 30, 2017, the School had not suffered any losses in these accounts.

As described in Note 1, Nevada Revised Statutes (NRS 355.170) set forth acceptable investments for Nevada local governments.

*Interest Rate Risk*

Interest rate risk is the risk of possible reduction in the value of a security, especially a bond, resulting from a rise in interest rates. The School does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from the increasing interest rates beyond those specified in Nevada State Statute.

*Credit Risk*

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation and is a function of the credit quality ratings of investments. The School does not have a formal investment policy that specifies minimum acceptable credit ratings beyond those specified in Nevada State Statute.

SILVER SANDS MONTESSORI CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017

4. Operating Leases

The School entered into a lease agreement on September 1, 2011, to lease classroom and office space for a period of five years, expiring on August 31, 2016. In October 2013 the School amended the original lease agreement to extend the initial period and additional seven years through September 30, 2023. The School has two additional options to extend the lease for sixty month periods each. The monthly payments are \$9,048.50, for the first six months increasing to \$18,097 through August 31, 2014, then \$20,900 through August 31, 2015. Thereafter, rent increases based on the amount of the CPI not to exceed 3%. The School recognized total rent expense for the year ended June 30, 2017 of \$259,120.

Future minimum lease payments are as follows for the years ended June 30:

2018	\$ 265,254
2019	272,969
2020	281,158
2021	289,593
2022	298,281
Thereafter	<u>358,684</u>
	<u>\$ 1,765,939</u>

5. 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.

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 thirty-six consecutive months with special provisions for members entering the System on or after January 1, 2010, and 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% factor. 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 - .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 Public Employees' Retirement System of Nevada 16 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

SILVER SANDS MONTESSORI CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017

5. Defined benefit pension plan (continued)

at age 65 with 5 years of service, or at age 62 with 10 years of service or at age 55 with 30 years of service or any age with 33 1/3 years of service.

The normal ceiling limitation on monthly benefits allowance 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.

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 Systems 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 actuary funding method used is the Entry Age Normal 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 year ended June 30, 2016, the Statutory Employer/employee matching rate was 14.5% for Regular employees. The Employer-pay contribution (EPC) rate was 28% for Regular employers.

Investment Policy

The System 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%	5.50%
International Equity	18%	5.75%
Domestic Fixed Income	30%	0.25%
Private Market	10%	6.80%

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

SILVER SANDS MONTESSORI CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017

5. Defined benefit pension plan (continued)

Pension Liability and Discount Rate Sensitivity

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 0.01147%.

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	\$ 2,262,386	\$ 1,543,443	\$ 945,291

Pension Plan Fiduciary Net Position

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

Actuarial Assumptions

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.

Actuarial assumptions used in the June 30, 2016 valuation were based on the results of the experience review completed in 2013.

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

SILVER SANDS MONTESSORI CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017

5. Defined benefit pension plan (continued)

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

For the year ended June 30, 2017, the School recognized pension expense of \$270,821. 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	\$ -	\$ 103,353
Net difference between projected and actual earnings on pension plan investments	143,482	-
Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate contributions	383,461	29,077
School contributions subsequent to the measurement date	192,685	-
Total	<u>\$ 719,628</u>	<u>\$ 132,430</u>

\$192,685 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) is 6.48 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	\$ 20,437
2019	20,437
2020	20,437
2021	20,437
2022	20,437
Thereafter	30,245
	<u>\$ 132,430</u>

Reconciliation of Net Pension Liability

	Amount
Beginning Net Pension Liability	\$ 1,129,273
Pension Expense	270,821
Employer Contributions	(156,943)
Change in Deferred Outflows	274,786
Change in Deferred Inflows	25,506
Ending Net Pension Liability	<u>\$ 1,543,443</u>

SILVER SANDS MONTESSORI CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017

5. 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](http://www.nvpers.org) under Quick Links - Publications. The report may also be obtained by calling 775-687-4200.

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. Capital assets

Capital asset activity for the year ended June 30, 2017 was as follows:

Governmental Activities:	Beginning Balance July 1, 2016	Increases	Decreases	Ending Balance June 30, 2017
Leasehold improvements	\$ 92,943	\$ -	\$ -	\$ 92,943
Less: accumulated depreciation	(89,847)	(3,096)	-	(92,943)
Governmental capital assets, net	\$ 3,096	\$ (3,096)	\$ -	\$ -

8. Subsequent events

The School has evaluated subsequent events through November 29, 2017, the date the financial statements were issued.

Silver Sands Montessori Charter School  
Schedule of Revenues, Expenditures and Changes in Fund Balance  
General Fund (GAAP BASIS)  
Budget and Actual Comparison  
For the year ended June 30, 2017

	Actual	Budget	\$ Under (Over) Budget
REVENUES			
District Activities	\$ 161,880	\$ 29,900	\$ 131,980
Other Revenue - Local Sources	35,425	-	35,425
Revenue - State Sources	1,786,149	1,829,199	(43,050)
Revenue - Federal Sources	-	-	-
Special Items	11,385	-	11,385
	<u>1,994,839</u>	<u>1,859,099</u>	<u>135,740</u>
TOTAL REVENUES			
EXPENDITURES			
Personnel Services - Teacher Salaries	659,698	676,040	(16,342)
Personnel Services - Employee Benefits	347,853	410,793	(62,940)
Purchased Professional & Technical Services	320,315	327,432	(7,117)
Purchased Property Services	302,221	299,656	2,565
Other Purchased Services	57,529	24,447	33,082
Supplies	142,817	104,690	38,127
Debt Service and Miscellaneous	815	1,100	(285)
	<u>1,831,248</u>	<u>1,844,158</u>	<u>(12,910)</u>
TOTAL EXPENDITURES			
TOTAL REVENUES OVER EXPENDITURES	<u>163,591</u>	<u>\$ 14,941</u>	<u>\$ 148,650</u>
FUND BALANCES, beginning of year	<u>1,126,036</u>		
FUND BALANCES, end of year	<u>\$ 1,289,627</u>		

See Accompanying Notes to the Financial Statements

Silver Sands Montessori Charter School  
Schedule of Revenues, Expenditures and Changes in Fund Balance  
Special Revenue Fund (GAAP BASIS)  
Budget and Actual Comparison  
For the year ended June 30, 2017

	<u>Actual</u>	<u>Budget</u>	<u>\$ Under (Over) Budget</u>
REVENUES			
District Activities	\$ -	\$ -	\$ -
Other Revenue - Local Sources	-	-	-
Revenue - State Sources	107,010	160,432	(53,422)
Revenue - Federal Sources	13,592	14,798	(1,206)
Special Items	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES	<u>120,602</u>	<u>175,230</u>	<u>(54,628)</u>
EXPENDITURES			
Personnel Services - Teacher Salaries	96,637	151,670	(55,033)
Personnel Services - Employee Benefits	-	-	-
Purchased Professional & Technical Services	23,965	23,560	405
Purchased Property Services	-	-	-
Other Purchased Services	-	-	-
Supplies	-	-	-
Debt Service and Miscellaneous	-	-	-
TOTAL EXPENDITURES	<u>120,602</u>	<u>175,230</u>	<u>(54,628)</u>
TOTAL REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

SILVER SANDS MONTESSORI CHARTER SCHOOL  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2017

SCHEDULE OF THE SCHOOLS PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
PUBLIC EMPLOYEES' RETIREMENT SYSTEM OF NEVADA  
LAST 10 FISCAL YEARS\*

	<u>2017</u>	<u>2016</u>	<u>2015</u>
The School's proportion of the net pension liability (asset)	0.01147%	0.00985%	0.00922%
The School's proportionate share of the net pension liability (asset)	\$ 1,543,443	\$ 1,129,273	\$ 790,458
The School's covered employee payroll	\$ 911,999	\$ 891,874	\$ 822,757
The School's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	169.23736%	126.61800%	96.07430%
Plan fiduciary net position as a percentage of the total pension liability	72.22989%	75.12621%	76.31210%

\* The amounts presented for each fiscal year were determined as of 7/1.

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

SCHEDULE OF THE SCHOOLS CONTRIBUTIONS  
PUBLIC EMPLOYEES' RETIREMENT SYSTEM OF NEVADA  
LAST 10 FISCAL YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 152,850	\$ 160,324	\$ 131,533
Contributions in relation to the contractually required contribution	<u>(152,850)</u>	<u>(160,324)</u>	<u>(131,533)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
The School's covered-employee payroll	\$ 911,999	\$ 891,874	\$ 757,632
Contributions as a percentage of covered-employee payroll	16.75989%	17.97608%	17.36107%

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



# WATKINS JACKSON CPAs

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Trustees  
Silver Sands Montessori 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 Silver Sands Montessori Charter School (the "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 our report thereon dated November 29, 2017.

### Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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 School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Watkins Jackson CPAs*

Watkins Jackson CPAs  
November 29, 2017  
Las Vegas, Nevada