

SIERRA NEVADA ACADEMY CHARTER SCHOOL

FINANCIAL STATEMENTS

JUNE 30, 2018

SIERRA NEVADA ACADEMY CHARTER SCHOOL

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INDEPENDENT AUDITORS' REPORT

To the Members of the Board of Governance
Sierra Nevada Academy Charter School

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Sierra Nevada Academy Charter School as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the governmental activities and each major fund of Sierra Nevada Academy Charter School, as of June 30, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Changes in Accounting Principles

As described in the accompanying financial statements, the Board adopted new accounting guidance, GASB Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, the budgetary comparison information, and pension information on pages 3-7, 28-29, and 30, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the management discussion and analysis and supplemental pension information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sierra Nevada Academy Charter School's basic financial statements. The accompanying schedule of federal awards on page 35 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule 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 federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole. This schedule has not been audited in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2018, on our consideration of the Sierra Nevada Academy Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing 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 Sierra Nevada Academy Charter School's internal control over financial reporting and compliance.

Holm & Company LLP

Reno, Nevada
October 31, 2018



MANAGEMENT'S DISCUSSION AND ANALYSIS

SIERRA NEVADA ACADEMY CHARTER SCHOOL

Management's Discussion and Analysis (Continued)

For the year ended June 30, 2018

This section of Sierra Nevada Academy Charter School annual financial report presents our discussion and analysis of Sierra Nevada Academy Charter School's financial performance during the fiscal year ended June 30, 2018. Please read it in conjunction with Sierra Nevada Academy Charter School's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

Assets and deferred outflows of resources of Sierra Nevada Academy Charter School were less than its liabilities and deferred inflows of resources at the close of the fiscal year by \$1,735,754. This deficit is due to the recognition of the long-term net pension liability.

Total revenue increased from \$2,148,414 in 2017 to \$2,877,144 in 2018, a 33.92% increase of \$728,730 as delineated in this section. This included calculated Distributive School Account (DSA) and local apportionment revenues calculated at \$1,925,205 in 2017 and \$2,572,523 in 2018, for an increase in state revenues of \$647,318. Donations decreased from \$17,296 in 2017 to \$15,585 in 2018, for a decrease of \$1,711. Operating grants increased from \$100,783 in 2017 to \$206,581, for an increase of \$105,798 and other income from state sources decreased from \$58,862 in 2017 to \$25,108 in 2018. Interest and other items decreased from \$6,566 in 2017 to \$2,487 in 2018, a decrease of \$4,079. Other revenue related to charges for services increased from \$39,702 in 2017 to \$54,860 in 2018, an increase of \$15,158.

Total expenses increased from the restated total of \$2,336,627 in 2017 to \$2,944,231 in 2018, a 26.00% increase of \$607,604. The most notable changes are in regular programs, facilities, and administration. Regular programs increased from \$1,195,376 in 2017 to \$1,492,583 in 2018, an increase of \$297,207. Administration increased from \$491,420 in 2017 to \$632,161 in 2018, an increase of \$140,741. Facilities increased from \$371,927 to \$538,512, an increase of \$166,585.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

The statement of net position presents information on all of Sierra Nevada Academy Charter School's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of Sierra Nevada Academy Charter School is improving or deteriorating.

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

The government-wide financial statements outline functions of Sierra Nevada Academy Charter School that are principally supported by the State of Nevada per pupil funding. The governmental activities of Sierra Nevada Academy Charter School include instruction, administrative, support services and facilities. The government-wide financial statements can be found on pages 9 and 10 of this report.

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

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

SIERRA NEVADA ACADEMY CHARTER SCHOOL
Management's Discussion and Analysis (Continued)
For the year ended June 30, 2018

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

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenue, expenditure, and changes in fund balance for the General and Grants Funds, both of which are considered to be major funds. The basic governmental fund financial statements can be found on pages 11 through 13 of this report.

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

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

Government-Wide Financial Analysis

Net position may serve over time as a useful indicator of a government's financial position. In the case of Sierra Nevada Academy Charter School, liabilities and deferred inflows exceeded assets and deferred outflows by \$1,735,754 as of June 30, 2018.

The following presents a summary of Sierra Nevada Academy Charter School's net position for the following fiscal years:

	As of June 30, 2018	As of June 30, 2017 Restated
Current assets	\$ 2,326,123	\$ 707,461
Capital assets, net	1,521,768	827,903
Total assets	3,847,891	1,535,364
Deferred outflows	569,454	583,091
Current liabilities	141,095	157,452
Long-term liabilities	5,813,675	3,416,021
Total liabilities	5,954,770	3,573,473
Deferred inflows	198,329	213,649
Net position		
Invested in capital assets, including loan proceeds and reserves, net of related debt	19,719	-
Unrestricted	(1,755,473)	(1,668,667)
Total net position	\$ (1,735,754)	\$ (1,668,667)

Long-term liabilities include the note payable related to the Fox Avenue property and related construction, an accrual for compensated absences of vested employees (10 years of service) and for employees that will reach the 10 years of service within the current period, and the net pension liability.

Changes in Net Position. Sierra Nevada Academy Charter School's total revenue for the fiscal year ended June 30, 2018 was \$2,877,144. The total costs of all programs and services were \$2,944,231. The following is a summary of the changes for the following fiscal years.

SIERRA NEVADA ACADEMY CHARTER SCHOOL
Management's Discussion and Analysis (Continued)
For the year ended June 30, 2018

	As of June 30, 2018	As of June 30, 2017 Restated
Revenue		
Program revenue		
Operating grants	\$ 206,581	\$ 100,783
General revenue		
State funding	2,572,523	1,925,205
Other income from state sources	25,108	58,862
Donations	15,585	17,296
Interest and other	2,487	6,566
Other revenue		
Charges for services	54,860	39,702
Total revenue	<u>2,877,144</u>	<u>2,148,414</u>
Expenses		
Regular programs	1,492,583	1,196,245
Administration	632,161	492,046
Student support	150,624	173,232
Facilities	538,512	372,412
Debt service interest	127,464	100,231
Un-allocated depreciation	2,887	2,887
Total expenses	<u>2,944,231</u>	<u>2,337,053</u>
Change in net position	<u>\$ (67,087)</u>	<u>\$ (188,639)</u>

FINANCIAL ANALYSIS OF SIERRA NEVADA ACADEMY CHARTER SCHOOL'S FUNDS

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

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

The financial performance of Sierra Nevada Academy Charter School as a whole is reflected in its governmental funds. As Sierra Nevada Academy Charter School completed the year, its governmental funds reported a General Fund balance of \$2,155,655, an increase of \$1,640,655 over 2017. The increase in fund balance from the proceeds from issuance of debt for construction projects. The Grants Fund balance was \$0 due to spending all available grant monies.

BUDGETARY HIGHLIGHTS

The most notable difference between the budget to actual information is that the funding from the state's distributive school account received was less than budgeted. As a result of the 2017 legislative session, WCSD charter schools receive the lowest per pupil apportionment in the state, yet WCSD charters pay for all facilities and related costs. Charter schools in Nevada receive an average of \$0.71 for every \$1.00 received by traditional schools solely due to daily facilities expenses, not capital-outlay funds. In addition, more students were anticipated than actually enrolled due to construction delays and the resulting space limitations. The state adjusted payments throughout the fiscal year according to the new funding schedule and average daily enrollment counts and again after the fiscal year ends, which creates additional funds or deficit of funds to the school. However, the formulas are cumbersome and make it challenging to predict anticipated funding allocations and reimbursements therein.

Sierra Nevada Academy Charter School purchased a building at June 30, 2017 under the advisement of a project developer, who was subsequently contracted to develop the property. However, the construction budget did not include

SIERRA NEVADA ACADEMY CHARTER SCHOOL
Management's Discussion and Analysis (Continued)
For the year ended June 30, 2018

certain actual expenses related to fees and requirements therein. As a result, approximately \$300,000 of the general operating budget and reserves was spent in capital-outlay and one-time costs related to construction and expansion. This was due to the limited construction budget that did not meet the needs of the project and unanticipated costs such as City of Reno, TMWA, NV Energy, legal and accounting fees, and required builder's risk insurance as originally delineated by the contracted project developer. Such costs were cumbersome and a burden on the charter school operating budget and reserves therein.

Sierra Nevada Academy Charter School seeks additional clarification from the state regarding financial recording and reporting while aligning current operating, reserve, and construction budgets to ensure accurate presentation of year-end financials. Otherwise, it may appear Sierra Nevada Academy Charter School overspent when funds were allocated for specific purposes.

CAPITAL ASSETS AND DEBT ADMINISTRATION

As of June 30, 2018, Sierra Nevada Academy Charter School had capital assets, net of accumulated depreciation, of \$1,521,768 including the Fox Avenue property land and building, plus classroom equipment, computers, furniture, and leasehold improvements. Additional information on capital assets can be found in the notes to financial statements.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Sierra Nevada Academy Charter School's major source of revenue is the per-pupil funding from the State of Nevada. Sierra Nevada Academy Charter School estimates enrollment based on applications received and a projected late signup before the start of the school year. The amount of the per-pupil funding is adjusted throughout the year based on required calculations as determined by the Nevada Revised Statutes. Sierra Nevada Academy Charter School expects increased enrollment for 2018-2019 and beyond based on the waiting list and increased classroom space with the Fox Avenue property. In fact, there are waiting lists for multiple classrooms.

Sierra Nevada Academy Charter School typically assumes an increase of 5% to 10% over the prior year for non-contract items for expenses. Additional adjustments are necessary for the 2018-2019 year and beyond based on the anticipated enrollment changes. Much of Sierra Nevada Academy Charter School's expenses are teacher salaries. Teacher salaries and the related benefits are fixed by contract. Additionally, as noted above, as a result of the 2017 legislative session, WCSD charter schools receive the lowest per pupil apportionment in the state, yet WCSD charters pay for all facilities and related costs. Charter schools in Nevada receive an average of \$0.71 for every \$1.00 received by traditional schools solely due to daily facilities expenses, not capital-outlay funds.

BASIC FINANCIAL STATEMENTS

SIERRA NEVADA ACADEMY CHARTER SCHOOL
STATEMENT OF NET POSITION
JUNE 30, 2018

ASSETS

Current assets

Cash, operating	\$ 329,242
Cash, loan proceeds and reserves	1,802,951
Receivables	122,972
Prepaid expenses	55,653
Deposits	15,305
Total current assets	<u>2,326,123</u>

Capital assets

Land	262,872
Buildings and improvements	1,231,108
Furniture and equipment	144,751
Less accumulated depreciation	<u>(116,963)</u>
Total capital assets, net	<u>1,521,768</u>
Total assets	<u>3,847,891</u>

DEFERRED OUTFLOWS OF RESOURCES - Pension requirement

569,454

Total assets and deferred outflows of resources

4,417,345

LIABILITIES

Current liabilities

Accounts payable	22,520
Accrued payroll and benefits	112,779
Current portion of long term debt	5,796
Total current liabilities	<u>141,095</u>

Non-current liabilities

Note payable, long-term portion	3,299,204
Compensated absences, non-current	268,014
Net pension liability	<u>2,246,457</u>
Total non-current liabilities	<u>5,813,675</u>
Total liabilities	<u>5,954,770</u>

DEFERRED INFLOWS OF RESOURCES - Pension requirement

198,329

Total liabilities and deferred inflows of resources

6,153,099

NET POSITION

Invested in capital assets, including loan proceeds and reserves, net of related debt	19,719
Unrestricted	<u>(1,755,473)</u>
Total net position	<u>\$ (1,735,754)</u>

See accompanying notes

SIERRA NEVADA ACADEMY CHARTER SCHOOL

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2018

	<u>Expenses</u>	<u>Program Revenue</u> <u>Charges for</u> <u>Services</u>	<u>Operating</u> <u>Grants and</u> <u>Contributions</u>	<u>Net</u> <u>(Expense)</u> <u>Revenue</u>
FUNCTIONS / PROGRAMS				
Governmental activities				
Instruction				
Regular	\$ 1,283,315	\$ -	\$ -	\$ (1,283,315)
Special	209,268	-	206,581	(2,687)
Total instruction	<u>1,492,583</u>	<u>-</u>	<u>206,581</u>	<u>(1,286,002)</u>
Support				
Administration	632,161	-	-	(632,161)
Student support	150,624	54,860	-	(95,764)
Operation and maintenance of plant services	538,512	-	-	(538,512)
Debt service - interest expense	127,464	-	-	(127,464)
Depreciation	2,887	-	-	(2,887)
Total support	<u>1,451,648</u>	<u>54,860</u>	<u>-</u>	<u>(1,396,788)</u>
Total governmental activities	<u>\$ 2,944,231</u>	<u>\$ 54,860</u>	<u>\$ 206,581</u>	<u>(2,682,790)</u>
General revenue				
Distributive school account				2,572,523
Other income from state sources				25,108
Donations/fundraising				15,585
Other income from local sources				2,487
Total general revenue				<u>2,615,703</u>
Change in net position				(67,087)
NET POSITION, July 1, 2017 as previously reported				(1,626,101)
PRIOR PERIOD ADJUSTMENT - Change in accounting principle				
Plan contribution for June 30, 2017				
Deferred outflows of resources				(82,153)
Deferred inflows of resources				39,587
				<u>(42,566)</u>
NET POSITION, July 1, 2017 as restated				<u>(1,668,667)</u>
NET POSITION, June 30, 2018				<u>\$ (1,735,754)</u>

See accompanying notes

SIERRA NEVADA ACADEMY CHARTER SCHOOL
BALANCE SHEET - GOVERNMENTAL FUNDS
AND RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2018

	General Fund	Grants Fund	Total
ASSETS			
Cash, operating	\$ 329,242	\$ -	\$ 329,242
Cash, loan proceeds and reserves	1,802,951		1,802,951
Receivables	-	105,643	105,643
Due from other fund	105,643	-	105,643
Prepaid expenses	37,813	-	37,813
Deposits	15,305	-	15,305
Total assets	<u>\$ 2,290,954</u>	<u>\$ 105,643</u>	<u>\$ 2,396,597</u>
LIABILITIES			
Accounts payable	\$ 22,520	\$ -	\$ 22,520
Accrued payroll and benefits	112,779	-	112,779
Due to other fund	-	105,643	105,643
Total liabilities	<u>135,299</u>	<u>105,643</u>	<u>240,942</u>
FUND BALANCES			
Nonspendable	53,118	-	53,118
Committed for Fox Avenue construction	1,802,951	-	1,802,951
Unassigned	299,586	-	299,586
Total fund balance	<u>2,155,655</u>	<u>-</u>	<u>2,155,655</u>
Total liabilities and fund balances	<u>\$ 2,290,954</u>	<u>\$ 105,643</u>	<u>\$ 2,396,597</u>

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION

Total fund balances reported in the balance sheet	\$ 2,155,655
Amounts reported for governmental activities in the statement of net position are different because:	
Certain receivables are not considered available until collected	17,329
Some prepaid expenses do not meet the criteria for reporting under the modified accrual basis of accounting and are not reported in the governmental fund financial statements.	
Prepaid curriculum	17,840
Capital assets used in governmental activities are not financial resources and, therefore, are not in the governmental funds.	
Cost of capital assets	1,638,731
Less accumulated depreciation	<u>(116,963)</u>
Deferred outflows of resources - pension requirement	569,454
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in governmental funds.	
Note payable	(3,305,000)
Compensated absences, non-current	(268,014)
Net pension liability	<u>(2,246,457)</u>
Deferred inflows of resources - pension requirement	(198,329)
Net position of governmental activities	<u>\$ (1,735,754)</u>

See accompanying notes

SIERRA NEVADA ACADEMY CHARTER SCHOOL
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
AND RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

	General Fund	Grants Fund	Total Governmental Funds
REVENUE			
State sources	\$ 2,586,043	\$ 157,383	\$ 2,743,426
Federal sources	-	49,198	49,198
Donations	15,585	-	15,585
Other local sources	57,347	-	57,347
Total revenue	2,658,975	206,581	2,865,556
EXPENDITURES			
Current			
Programs			
Regular instruction	1,254,563	-	1,254,563
Special instruction	-	207,078	207,078
Total program expenditures	1,254,563	207,078	1,461,641
Undistributed expenditures			
Support services			
Administration	570,334	-	570,334
Student support	149,120	-	149,120
Operation and maintenance of plant services	537,576	-	537,576
Total support services	1,257,030	-	1,257,030
Capital outlay	696,752	-	696,752
Debt service			
Interest expense	127,464	-	127,464
Total expenditures	3,335,809	207,078	3,542,887
Excess (deficiency) of revenue over (under) expenditures	(676,834)	(497)	(677,331)
OTHER FINANCING SOURCES (USES)			
Proceeds from issuance of debt	2,317,986	-	2,317,986
Transfers in	-	497	497
Transfers out	(497)	-	(497)
Total other financing sources (uses)	2,317,489	497	2,317,986
Net change in fund balance	1,640,655	-	1,640,655
FUND BALANCE, July 1, 2017	515,000	-	515,000
FUND BALANCE, June 30, 2018	\$ 2,155,655	\$ -	\$ 2,155,655

See accompanying notes

SIERRA NEVADA ACADEMY CHARTER SCHOOL
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
AND RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018

**RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES**

Net change in fund balance - governmental funds		\$ 1,640,655
Amounts reported for governmental activities in the statement of activities are different because:		
Certain receivables are not considered available until collected		
Prior year receivables not considered available until collected	(6,204)	
Current year receivables that will be considered available next year	17,330	11,126
Long-term prepaid expenses used in the current year are recorded as expenses on the statement of activities but are not current financial resources for the governmental funds statements.		(10,965)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives.		
Capital outlay	696,752	
Less current year depreciation expense	(2,887)	693,865
Change in long-term compensated absences are recorded as an expense on the statement of activities but are not current financial resources for the governmental funds statements.		(55,018)
Issuance of debt is reported in the governmental funds as an other financing source but is an increase in long-term liabilities on the statement of net position		
Issuance of debt		(2,317,986)
Pension expense - difference between actuarially determined liability and actual contributions made		(28,764)
Change in net position of governmental activities		\$ (67,087)

See accompanying notes

NOTES TO FINANCIAL STATEMENTS

SIERRA NEVADA ACADEMY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Sierra Nevada Academy Charter School (School) have been prepared in accordance with generally accepted accounting principles as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting. The GASB periodically updates its codification of existing Government and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The following is a summary of the more significant policies:

Reporting Entity

Sierra Nevada Academy Charter School is a charter school organized in 1999 under Nevada Revised Statutes 386.500 to 386.610. The School operates a K through 8 school of education in Washoe County.

The School receives funding from state, federal and local government sources and must comply with the requirements of these funding source entities. However, the School is not included in any other governmental "reporting entity" as defined in GASB pronouncements, since its Board of Directors has decision making authority, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters. In addition, the School is not financially accountable to any other entity.

Basic Financial Statements – Government-Wide Statements

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

The government-wide financial statements (the statement of net position and the statement of activities) report information on all nonfiduciary activities of the School. Governmental activities, which normally are supported by taxes or intergovernmental revenue, are reported separately from business-type activities, if any, which rely to a significant extent on fees and charges for support.

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

Basic Financial Statements – Fund Financial Statements

The financial transactions of the School are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenue and expenditures/expenses. School resources are allocated to and accounted for in individual funds based upon the purposes for which they are intended and the means by which spending activities are controlled.

Measurement Focus/Basis of Accounting

The measurement focus describes the types of transactions and events that are reported in a fund's operating statement. Basis of accounting refers to the point at which revenue or expenditures/expenses are recognized and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met.

SIERRA NEVADA ACADEMY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

NOTE 1 - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus/Basis of Accounting (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized when it is both measurable and available. Revenue is considered to be available when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Sierra Nevada Academy Charter School maintains its accounts and prepares its financial statements on the modified accrual basis of accounting as required by Nevada Revised Statutes (NRS) 218.825. The budget of Sierra Nevada Academy Charter School is also prepared on the modified accrual basis of accounting.

The accounts of Sierra Nevada Academy Charter School are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. 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.

Sierra Nevada Academy Charter School has the following fund types:

Governmental funds are used to account for Sierra Nevada Academy Charter School's general activities. Governmental funds include the following fund types:

The *General Fund* is Sierra Nevada Academy Charter School's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Grants Fund* is a special revenue fund that accounts for revenue sources and expenditures that are legally restricted for specified educational purposes.

Budgets and Budgetary Accounting

The School is required by the State of Nevada Department of Education (Department) under NRS 386.550(n) and Nevada Administrative Code (NAC) 387.725 to adopt a tentative budget by April 15th and a final budget not later than June 8th of each year, but is not required by the Department to augment the budget during the year. Further, the 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 augmented its budget during the year. The original and final budgets are presented in the Budgetary Comparison schedules. The budget is maintained on the same generally accepted accounting principles (GAAP) basis as the fund financial statements.

Cash

Cash includes demand deposits held in commercial banks.

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.

SIERRA NEVADA ACADEMY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

NOTE 1 - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Prepaid Expenses

Prepaid expenses on the government-wide statement of financial position are amounts expended in prior years for curriculum and instructional software for use in subsequent years. Prepaid expenses are not an asset on the governmental fund financial statements under the modified accrual basis of accounting unless they are expended within a one-year period.

Deposits

Deposits consist of security deposits held by the School's landlord.

Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost. Donated assets are recorded at their estimated fair market value on the date donated. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Depreciation on all capital assets is provided on the straight-line basis over the estimated useful life as follows:

Leasehold improvements	5-15 years
Furniture and equipment	5-10 years

Accrued Payroll and Benefits

Accrued payroll and benefits includes amounts for wages, salaries, and benefits due to employees as well as benefits payable on behalf of employees for work performed during the current fiscal year but not yet paid as of the financial statement date.

Compensated Absences

Under the certified contracts negotiated by Washoe County School District, which the School has elected to follow, only employees with 10 years of service are entitled to payment for their compensated absences. These absences are accumulated and reported on the government-wide financial statements as a liability. These amounts will be reported in the governmental funds only if they have matured, for example, as a result of employee leave, resignations, and/or retirements.

Deferred Outflows and Inflows of Resources

In addition to assets, a separate section is reported for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. The changes in proportion and differences between employer contributions and proportionate share of contributions as well as contributions made after the measurement period for pensions qualify for reporting in this category.

In addition to liabilities, a separate section is reported for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. Differences between expected and actual experience and between projected and actual investment earnings on pension plan investments qualify for reporting in this category.

SIERRA NEVADA ACADEMY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

NOTE 1 - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position Classification

Net position in the government-wide financial statements is classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law. The School did not have restricted net position as of June 30, 2018.

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

Nonspendable fund balance – This classification includes amounts that cannot be spent because they are either (a) not in spendable form, such as inventory or prepaid items, or (b) legally or contractually required to be maintained intact.

Restricted fund balance – This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

Committed fund balance – This is the portion of unrestricted fund balance that can only be used for specific purpose imposed by majority vote of School's governing body (highest level of decision-making authority). Any changes or removal of the specific purpose requires majority action by the governing bodies that approved the original action.

Assigned fund balance – This is the portion of unrestricted fund balance that the School intends to use for specific purposes.

Unassigned fund balance – This is the portion of unrestricted fund balance that has not been assigned to another fund or restricted, committed, or assigned to specific purposes within the general fund.

When both restricted and unrestricted fund balances are available for expenditures, it is the School's policy to use restricted fund balances first, then unrestricted as needed. When expenses are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used committed amounts are reduced first, followed by assigned amounts and then unassigned amounts. The school has no restricted or assigned fund balances at June 30, 2018.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources, deferred inflows of resources and pension expense, information about the fiduciary net position of the Public Employees' Retirement System of Nevada (PERS) and additions to/deductions from PERS's fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Use of Estimates

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

Subsequent Events

Subsequent events have been evaluated through October 31, 2018, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.

SIERRA NEVADA ACADEMY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

NOTE 2 - COMPLIANCE WITH NEVADA REVISED STATUTES AND THE NEVADA ADMINISTRATIVE CODE

The School conformed to all significant statutory constraints on its financial administration.

The School's sponsor performs annual performance monitoring of the School and noted the School was noncompliant with NRS 388A.518, NRS 388A.521, NRS 388A.524, NRS 388A.515, and NRS 388A.527 regarding employment of teachers and other educational personnel. Specifically, the sponsor noted that one teacher did not possess a Nevada Teaching License in the field they were teaching and thus could not be verified as highly qualified. Corrective action was taken on this issue. This is expected to be resolved during the 2018-19 school year.

NOTE 3 - CAPITAL ASSETS

Capital asset activity consists of the following for the year ended June 30, 2018:

	Balance June 30, 2017	Increases	Decreases	Balance June 30, 2018
Capital assets, not being depreciated				
Land	\$ 262,872	\$ -	\$ -	\$ 262,872
Construction in process				
Building	507,516	-	-	507,516
Land and building improvements	26,840	696,752	-	723,592
	<u>797,228</u>	<u>696,752</u>	<u>-</u>	<u>1,493,980</u>
Capital assets, being depreciated				
Classroom equipment	12,126	-	-	12,126
Computer equipment	2,080	-	-	2,080
Furniture	3,726	-	-	3,726
Miscellaneous equipment	1,517	-	-	1,517
Kitchen equipment	2,995	-	-	2,995
Leasehold improvements	69,617	-	-	69,617
Office equipment	28,838	-	-	28,838
Playground equipment	23,852	-	-	23,852
Total cost	<u>144,751</u>	<u>-</u>	<u>-</u>	<u>144,751</u>
Less accumulated depreciation	<u>(114,076)</u>	<u>(2,887)</u>	<u>-</u>	<u>(116,963)</u>
Net capital assets, being depreciated	<u>30,675</u>	<u>(2,887)</u>	<u>-</u>	<u>27,788</u>
Capital assets, net	<u>\$ 827,903</u>	<u>\$ 693,865</u>	<u>\$ -</u>	<u>\$ 1,521,768</u>

Depreciation expense was \$2,887 for the year ended June 30, 2018.

NOTE 4 - CONCENTRATION OF CREDIT RISK

The School's cash balances are maintained in two financial institutions located in Reno, Nevada. The bank accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to an aggregate of \$250,000 per institution. In the event that the institutions encountered severe financial difficulties, the School would be at risk for the uninsured portion of the cash balance of \$1,958,813 at June 30, 2018.

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

SIERRA NEVADA ACADEMY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

NOTE 5 - OPERATING LEASE

The School conducts its operations from facilities that are leased under a ten-year lease maturing December 31, 2025 cancellable on one (1) year's notice. Current monthly lease payments are \$16,345 and are subject to renegotiation in 2020 with any increase or decrease not exceeding two percent (2%). The School can extend the lease upon 24 months' notice with the lease rate subject to renegotiation. The lease includes a provision for monthly common area maintenance (CAM) fees of \$1,150. The School leased modular units for a minimum of 24 months for monthly fees of \$4,215. Rental expense totaled \$196,138 for the year ended June 30, 2018, CAM totaled \$13,800 and modular units totaled \$36,240. Minimum lease payments and CAM for each of the next five years and for the aggregate 5 years thereafter are as follows:

	Rent	CAM	Modular	Total
2019	\$ 196,138	\$ 13,800	\$ 50,580	\$ 260,518
2020	198,426	13,800	16,860	229,086
2021	200,061	13,800	-	213,861
2022	200,061	13,800	-	213,861
2023	200,061	13,800	-	213,861
2024-2026	500,152	34,500	-	534,652
	<u>\$ 1,494,899</u>	<u>\$ 103,500</u>	<u>\$ 67,440</u>	<u>\$ 1,665,839</u>

NOTE 6 - LONG-TERM DEBT AND COMMITMENTS

The School purchased land and a building financed using a construction loan of up to \$3,305,000. The loan is secured by the land and building, includes interest at 5.68% and requires monthly interest-only payments starting December 1, 2017 through May 31, 2019 and monthly principal and interest payments beginning June 1, 2019 of approximately \$21,440 for 96 months; then a final balloon payment due June 1, 2027. As of June 30, 2018, the balance of the construction loan of \$3,305,000 has been drawn.

The following shows changes in the School's long-term debt during the year ending June 30, 2018.

	Balance July 1, 2017	Additions of New Debt	Retirements, Repayments and Reductions	Balance June 30, 2018	Due Within One Year
Note payable	\$ 987,014	\$ 2,317,986	\$ -	\$ 3,305,000	\$ 5,796

Interest of \$127,464 was paid on long-term debt for the year ended June 30, 2018.

Summary of Debt Service Requirements to Maturity

Fiscal Year	Construction Loan		Total Requirements
	Principal	Interest	
2019	\$ 5,796	\$ 187,697	\$ 193,493
2020	71,733	185,207	256,940
2021	75,915	181,005	256,920
2022	80,341	176,558	256,899
2023	85,025	171,852	256,877
2024-2027	2,986,190	610,016	3,596,206
	<u>\$ 3,305,000</u>	<u>\$ 1,512,335</u>	<u>\$ 4,817,335</u>

SIERRA NEVADA ACADEMY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

NOTE 7 - PENSIONS

GENERAL INFORMATION ABOUT THE PENSION PLAN

Plan Description

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

Benefits Provided

- a) Benefits, as required by the Nevada Revised Statutes (NRS or statute), are determined by the number of years of accredited service at time of retirement and the member's highest average compensation in any 36 consecutive months with special provisions for members entering the System on or after January 1, 2010 and for members entering the System on or after July 1, 2015. Benefit payments to which participants or their beneficiaries may be entitled under the plan include pension benefits, disability benefits, and survivor benefits.
- b) Monthly benefit allowances for members are computed as 2.5% of average compensation for each accredited year of service prior to July 1, 2001. For service earned on and after July 1, 2001, this multiplier is 2.67% of average compensation. For members entering the System on or after January 1, 2010, there is a 2.5% service time factor and for regular members entering the System on or after July 1, 2015, there is a 2.25% multiplier. The System offers several alternatives to the unmodified service retirement allowance which, in general, allow the retired employee to accept a reduced service retirement allowance payable monthly during his or her lifetime and various optional monthly payments to a named beneficiary after his or her death.
- c) Post-retirement increases are provided by authority of NRS 286.575 – 286.579.

Vesting

- a) Regular members entering the System prior to January 1, 2010 are eligible for retirement at age 65 with five years of service, at age 60 with 10 years of service, or at any age with thirty years of service. Regular members entering the System on or after January 1, 2010, are eligible for retirement at age 65 with five years of service, or age 62 with 10 years of service, or any age with thirty years of service. Regular members who entered the System on or after July 1, 2015 are eligible for retirement at age 65 with 5 years of service, or at age 62 with 20 years of service or at age 55 with 30 years of service or at any age with 33 1/3 years of service.
- b) The normal ceiling limitation on monthly benefits allowances is 75% of average compensation. However, a member who has an effective date of membership before July 1, 1985, is entitled to a benefit of up to 90% of average compensation. Both Regular and Police/Fire members become fully vested as to benefits upon completion of five years of service.

Contributions

- a) 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.

SIERRA NEVADA ACADEMY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

NOTE 7 - PENSIONS (Continued)

- b) The System's basic funding policy provides for periodic contributions at a level pattern of cost as a percentage of salary throughout an employee's working lifetime in order to accumulate sufficient assets to pay benefits when due.
- c) 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.
- d) 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.
- e) For the fiscal years ended June 30, 2015, 2016, 2017, and 2018, respectively, the Statutory Employer/employee matching rate was 13.25%, 14.50%, 14.50% and 14.50% for Regular employees. The Employer-pay contribution (EPC) rate was 25.75%, 28.00%, 28.00% and 28.00%, respectively, for June 30, 2015, 2016, 2017, and 2018 years for Regular employees.

PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

At June 30, 2018, the School reported a liability of \$2,246,457 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, 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 total contributions due on wages paid during the measurement period. Each employer's proportion of the net pension liability is based on their combined employer and member contributions relative to the total combined employer and member contributions for all employers for the period ended June 30, 2017. At June 30, 2017, the School's proportion was .01689%.

For the year ended June 30, 2018, the School recognized pension expense of \$203,430. Amounts totaling \$174,666 resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. At June 30, 2018, the School did not have any payable due to the System related to contractual required contributions for June 2018.

At June 30, 2018, the School reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 147,413
Changes of assumptions	149,031	-
Net difference between projected and actual investment earnings on pension plan investments	14,586	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	231,171	50,916
Contributions subsequent to the measurement date	174,666	-
	<u>\$ 569,454</u>	<u>\$ 198,329</u>

SIERRA NEVADA ACADEMY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

NOTE 7 - PENSIONS (Continued)

PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS (Continued)

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

Year ended June 30	
2019	\$ (165)
2020	82,661
2021	47,292
2022	6,873
2023	48,034
2024	11,764
	<u>\$ 196,459</u>

The net difference between projected and actual investment earnings on pension plan investments will be recognized over five years, all the other above deferred outflow and deferred inflows will be recognized over the average expected remaining services lives, which was 6.39 years for the measurement period ending June 30, 2017.

Reconciliation of the net pension liability at June 30, 2018 is as follows:

Beginning net pension liability	\$ 2,216,011
Pension expense	203,430
Employer contributions	(151,611)
Current year net deferred (inflows)	
and outflows	(21,373)
Ending net pension liability	<u>\$ 2,246,457</u>

Actuarial Assumptions

The System's net pension liability was measured as of June 30, 2017, 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	2.75% (3.50% for the June 30, 2016 valuation date)
Payroll growth	5.00%, including inflation
Investment rate of return	7.50% (8.00% for the June 30, 2016 valuation date)
Productivity pay increase	0.50% (0.75% for the June 30, 2016 valuation date)
Projected salary increases	Regular: 4.25% to 9.15%, depending on service (4.60% to 9.75% for the June 30, 2016 valuation date) Rates include inflation and productivity increases
Consumer price index	2.75% (3.50% for the June 30, 2016 valuation date)
Other assumptions	Same as those used in the June 30, 2017 funding Actuarial valuation

Actuarial assumptions used in the June 30, 2017 valuation were based on the results of the experience review completed in 2017.

SIERRA NEVADA ACADEMY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

NOTE 7 - PENSIONS (Continued)

The discount rate used to measure the total pension liability was 7.50% and 8.00%, respectively, as of June 30, 2017 and 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, 2017, 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, 2017 and June 30, 2016.

Investment Policy

The System's policies which determine the investment portfolio target asset allocation are established by the Retirement Board. The asset allocation is reviewed annually and is designed to meet the future risk and return needs of the System. The following was the Retirement Board's adopted policy target asset allocation as of June 30, 2017:

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 Markets	10%	6.80%

*As of June 30, 2017, PERS' long-term inflation assumption was 2.75%.

Discount Rate and Pension Liability Discount Rate Sensitivity

The following presents the net pension liability of the PERS as of June 30, 2017, calculated using the discount rate of 7.50%, as well as what the PERS net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.50%) or 1 percentage-point higher (8.50%) than the current discount rate:

	1% Decrease in Discount Rate (6.50%)	Discount Rate (7.50%)	1% Increase in Discount Rate (8.50%)
Net Pension Liability	\$ 3,395,844	\$ 2,246,457	\$ 1,291,665

Pension Plan Fiduciary Net Position

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

NOTE 8 - COMPENSATED ABSENCES

The current portion of compensated absences is defined as those benefits that would be liquidated with available expendable resources as a result of vested employees who have terminated employment within 45 days subsequent to year-end. The current portion of the cost of compensated absences is recorded as payroll expenditure.

The long-term portion of these costs is reflected as a liability included in long-term liabilities of the School. The additions and deletions to compensated absences were as follows for the year ended June 30, 2018:

SIERRA NEVADA ACADEMY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

NOTE 8 - COMPENSATED ABSENCES (Continued)

The long-term portion of these costs is reflected as a liability included in long-term liabilities of the School. The additions and deletions to compensated absences were as follows for the year ended June 30, 2018:

	Balance 6/30/2017	Additions	Deletions	Balance 6/30/2018
Compensated absences	\$ 212,996	\$ 55,018	\$ -	\$ 268,014

NOTE 9 - COMMITTED FUND BALANCE

Committed fund balance is the amounts drawn on the loan but not yet spent for land and building improvements as of June 30, 2018. The expenditures are committed and have been approved by the governing Board.

NOTE 10 - COMMITMENTS

During the year ended June 30, 2017, the School entered into a development agreement with a third-party to develop the land and building purchased this year for a fee equal to 4% of the total project cost. This was calculated at \$119,095. \$59,547 was paid when the agreement was signed, an additional \$52,104 was paid as of June 30, 2018. The remaining outstanding commitment of \$7,443 has not been incurred as of June 30, 2018.

During the year ended June 30, 2018, the School entered into construction agreements to renovate utilities for three portable classroom units on the new property for \$110,449. As of June 30, 2018, \$89,645 has been paid and \$20,804 is outstanding.

During the year ended June 30, 2018, the School entered into rental agreements for three portable classrooms. The rent will commence when the classrooms are delivered and will include rent of \$995 per month each for 48 months. The delivery date is not determinable as site work at the Fox Avenue property must be completed before the units can be permitted with the City of Reno.

NOTE 11 - SUBSEQUENT EVENTS

Subsequent to the June 30, 2018 entered into construction agreements to renovate utilities for three portable classroom units on the new property for \$92,314. As of June 30, 2018, no amounts had been expended and the full agreement amounts are outstanding.

NOTE 12 - NEW ACCOUNTING PRONOUNCEMENT AND PRIOR PERIOD ADJUSTMENT

In March 2016, the GASB issued Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*, effective for periods beginning after June 15, 2016, or June 15, 2017 when an employer's pension liability is measured on a date other than the employer's most recent fiscal year-end. The objective of this statement is to address certain issues that have been raised with respect to GASB Statements No. 67, No. 68, and No. 73 regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. Management has implemented the statement during the year ended June 30, 2018.

SIERRA NEVADA ACADEMY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

NOTE 12 - NEW ACCOUNTING PRONOUNCEMENT AND PRIOR PERIOD ADJUSTMENT (Continued)

As a result of the implementation of this statement, the 2017 financial statements have been adjusted to reflect a restatement of beginning net position for changes in the classification of plan member contributions and certain actuarial assumptions. This prior period adjustment and the restatement represent a decrease in deferred outflows, a decrease in deferred inflows, and an offsetting decrease to the beginning governmental activities net position on the government-wide statement of net position in the amount of \$42,566 for the year ended June 30, 2017.

REQUIRED SUPPLEMENTARY INFORMATION

SIERRA NEVADA ACADEMY CHARTER SCHOOL
STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018
(WITH COMPARATIVE ACTUAL TOTALS FOR THE YEAR ENDED JUNE 30, 2017)

	2018				2017
	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)	(Actual Memorandum Only)
	Original	Final			
REVENUE					
State sources	\$ 2,884,000	\$ 2,544,028	\$ 2,586,043	\$ 42,015	\$ 1,920,107
Donations	1,000	1,000	15,585	14,585	17,296
Other local sources	60,375	73,244	57,347	(15,897)	46,268
Total revenue	2,945,375	2,618,272	2,658,975	40,703	1,983,671
EXPENDITURES					
Current					
Programs					
Regular instruction	1,634,269	1,276,158	1,254,563	21,595	873,672
Total program expenditures	1,634,269	1,276,158	1,254,563	21,595	873,672
Undistributed expenditures					
Support services					
Administration	515,853	595,870	570,334	25,536	464,645
Student support	187,238	160,827	149,120	11,707	148,856
Operation and maintenance of plant services	385,789	553,803	537,576	16,227	361,870
Total support services	1,088,880	1,310,500	1,257,030	53,470	975,371
Capital outlay	-	2,317,986	696,752	1,621,234	797,227
Debt service					
Debt issuance costs	-	-	-	-	100,231
Interest expense	199,992	127,464	127,464	-	-
Total debt service	199,992	127,464	127,464	-	100,231
Total expenditures	2,923,141	5,032,108	3,335,809	1,696,299	2,746,501
Excess (deficiency) of revenue over (under) expenditures	22,234	(2,413,836)	(676,834)	1,737,002	(762,830)
OTHER FINANCING SOURCES (USES)					
Proceeds from issuance of debt	-	2,317,986	2,317,986	-	987,014
Transfers out	(21,156)	-	(497)	(497)	(86,367)
Total other financing sources (uses)	(21,156)	2,317,986	2,317,489	(497)	900,647
Net change in fund balance	1,078	(95,850)	1,640,655	1,736,505	137,817
FUND BALANCE, July 1	447,511	215,000	515,000	300,000	377,183
FUND BALANCE, June 30	<u>\$ 448,589</u>	<u>\$ 119,150</u>	<u>\$ 2,155,655</u>	<u>\$ 2,036,505</u>	<u>\$ 515,000</u>

See accompanying notes

SIERRA NEVADA ACADEMY CHARTER SCHOOL
STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GRANTS FUND
FOR THE YEAR ENDED JUNE 30, 2018
(WITH COMPARATIVE ACTUAL TOTALS FOR THE YEAR ENDED JUNE 30, 2017)

	2018				2017
	Budgeted Amounts			Variance	(Actual
	Original	Final	Actual	Favorable	Memorandum
				(Unfavorable)	Only)
REVENUE					
State sources	\$ -	\$ -	\$ 157,383	\$ 157,383	\$ 57,662
Federal sources	154,366	206,581	49,198	(157,383)	100,783
Total revenue	154,366	206,581	206,581	-	158,445
EXPENDITURES					
Current					
Programs					
Special instruction	175,522	206,581	207,078	(497)	244,812
Total program expenditures	175,522	206,581	207,078	(497)	244,812
Undistributed expenditures					
Support services	-	-	-	-	-
Total expenditures	175,522	206,581	207,078	(497)	244,812
Excess (deficiency) of revenue over (under) expenditures	(21,156)	-	(497)	(497)	(86,367)
OTHER FINANCING SOURCES (USES)					
Transfers in	21,156	-	497	497	86,367
Net change in fund balance	-	-	-	-	-
FUND BALANCE, July 1	-	-	-	-	-
FUND BALANCE, June 30	\$ -	\$ -	\$ -	\$ -	\$ -

See accompanying notes

SIERRA NEVADA ACADEMY CHARTER SCHOOL
SUPPLEMENTAL PENSION INFORMATION
LAST TEN YEARS

SCHEDULE OF CHANGES IN NET PENSION LIABILITY
LAST TEN FISCAL YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
School's proportion of the net pension liability (asset)	0.01689%	0.01647%	0.01441%	0.01512%
School's proportionate share of the net pension liability (asset)	\$ 2,246,457	\$ 2,216,011	\$ 1,650,971	\$ 1,576,188
School's covered payroll	\$ 1,032,723	\$ 995,117	\$ 856,820	\$ 907,285
School's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	217.53%	222.69%	192.69%	173.73%
Plan fiduciary net position as a percentage of the total pension liability	74.40%	72.20%	75.10%	76.30%

SCHEDULE OF CONTRIBUTIONS
LAST TEN FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 279,822	\$ 233,763	\$ 227,388	\$ 191,936
Contributions in relation to contractually required contributions	<u>(279,822)</u>	<u>(233,763)</u>	<u>(227,388)</u>	<u>(191,936)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's covered payroll	\$ 1,154,953	\$ 1,032,723	\$ 995,117	\$ 856,820
Contributions as a percentage of covered payroll	24.23%	22.64%	22.85%	22.40%

Note:

Only four years of information is available due to reporting changes with GASB 68 for Fiscal Year 2015.

See accompanying notes

REPORT ON INTERNAL CONTROL AND COMPLIANCE

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

To the Members of the Board
Sierra Nevada Academy Charter School

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Sierra Nevada Academy Charter School, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Sierra Nevada Academy Charter School's basic financial statements and have issued our report thereon dated October 31, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Sierra Nevada Academy Charter School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Sierra Nevada Academy Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of Sierra Nevada Academy Charter 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 and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control, described below, that we consider to be a material weakness.

Finding 2018-001: Account Reconciliations, Construction Requisitions

Condition: The requisitions for the construction loan account did not agree with the recorded project expenses.

Criteria: Proper reconciliation of account balances is necessary in order to provide management and Board members with accurate financial information with which to make decisions and prepare complete financial statements and other reports as may be required.

Cause: The requisitions were not reconciled to the general ledger and management's review process did not identify the discrepancies.

Potential Effect: This deficiency could result in over or under reporting of the project costs to the lender.

Context: Three of the seven requisitions submitted during the year ended June 30, 2018 included errors. Certain invoices totaling \$25,043 were reported twice and other costs totaling \$39,999 were not included in the requisitions during the fiscal year.

Recommendation: We recommend that a full reconciliation of construction expenses, requisitions, draws on loans, and balances on hand be performed each month to verify the usage of loan proceeds agrees with construction cost incurred.

Views of Responsible Officials and Planned Corrective Action: Management of the School is in agreement with the finding and recommendation made and is in the process of performing an analysis to determine whether there are any amounts that need to be adjusted.

The School and Board consider any finding serious and act with brevity to resolve any potential weaknesses brought to their attention. The School is working with the Board, lender, and general contractor and the School will receive review at least monthly updates highlighting the project progress, requisition status, and budget analysis. The general contractor will designate a project manager to oversee the construction work and all associated subcontractors, requirements, inspections, and all other items related to the project. The School will hire a new project manager to oversee all critical aspects of the project and ensure due-diligence to keep the project moving forward on-time and within budget. The School's project manager will be responsible generate requisitions and ensure there are no duplicate invoices. The bank will implement additional controls for construction management including monthly inspections and reports therein, with account reconciliations to occur in cooperation and collaboration with the general contractor's project manager, the School's project manager, and School management.

The team will ensure proper reconciliation of account balances to provide management and board with accurate financial information with which to make decisions and prepare complete financial and other reports as required. Due diligence between and among the team representatives will ensure full reconciliation of construction expenses, requisitions, draws on loans, and balances on hand to verify the usage of loan proceeds agrees with construction costs incurred and with minimal effect to the general operating budget.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sierra Nevada Academy Charter School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

Sierra Nevada Academy Charter School's Response to Findings

Sierra Nevada Academy Charter School's response to the findings identified in this audit is described previously. Sierra Nevada Academy Charter School's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Karen E. Longmy

Reno, Nevada
October 31, 2018



OTHER SUPPLEMENTARY INFORMATION

SIERRA NEVADA ACADEMY CHARTER SCHOOL
SCHEDULE OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

<u>Contract/Grant</u>	<u>Period of Performance</u>	<u>CFDA Number</u>	<u>Total Federal Expenditures</u>
U.S. Department of Education			
Passed through Washoe County School District:			
Special Education Cluster (IDEA)			
Special Education - Grants to States	7/1/17 to 6/30/18	84.027	\$ <u>49,198</u>

See accompanying notes