



**ELKO INSTITUTE
FOR
ACADEMIC ACHIEVEMENT**

STATE OF NEVADA

JUNE 30, 2018



*The report accompanying these financial statements
was issued by Watkins Jackson CPAs, PLLC,
a Nevada Professional Limited Liability Company.*

STRICTLY PRIVATE AND CONFIDENTIAL



ELKO INSTITUTE FOR ACADEMIC ACHIEVEMENT

JUNE 30, 2018

TABLE OF CONTENTS

	<u>PAGENO.</u>
FINANCIAL SECTION	
INDEPENDENT AUDITOR’S REPORT ON FINANCIAL STATEMENTS	1
MANAGEMENT’S DISCUSSION AND ANALYSIS	3-7
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements:	
Statement of Net Position	8
Statement of Activities	9
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	10
Reconciliation of the Balance of the Governmental Funds to the Statement of Net Position	11
Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds	12
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of the Governmental Funds to the Statement of Activities	13
Fiduciary Funds:	
Statement of Fiduciary Net Position	14
Statement of Changes in Fiduciary Position	15
Note to Financial Statements	16-31
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget & Actual	
General Fund (GAAP Basis)	32-33
Special Revenue Fund (GAAP Basis)	34-35
Schedule of the EIAA’s Proportionate Share of the Net Pension Liability Public Employee’s Retirement System of Nevada Last 10 Fiscal Years	36
Schedule of the EIAA’s Contributions Public Employee’s Retirement System of Nevada Last 10 Fiscal Years	36
COMPLIANCE SECTION	
Report on Internal Control over Financial Reporting and on Compliance Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	37

FINANCIAL SECTION



WATKINS JACKSON CPAs

INDEPENDENT AUDITOR'S REPORT

Governing Body
Elko Institute for Academic Achievement
Elko, Nevada

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Elko Institute for Academic Achievement (the "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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Elko Institute for Academic Achievement as of June 30, 2018, 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 on pages 3–7 and Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget & Actual General Fund (GAAP Basis) and Special Revenue Fund (GAAP Basis) budgetary comparison information, schedule of the School's proportionate share of the net pension liability public employee's retirement system of Nevada last 10 fiscal years, and schedule of contributions public employees retirement system of Nevada last 10 fiscal years on pages 32–36 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 Explore Knowledge Academy'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, 2018, on our consideration of the Elko Institute for Academic Achievement'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 Elko Institute for Academic Achievement's internal control over financial reporting and compliance.



Watkins Jackson CPAs
November 29, 2018
Las Vegas, Nevada

**ELKO INSTITUTE FOR ACADEMIC ACHIEVEMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

The Management's Discussion and Analysis ("MD&A") serves to introduce the financial reports for the Elko Institute for Academic Achievement ("EIAA"). The MD&A is required as an element of the Governmental Accounting Standards Board (GASB) in Statement No. 34 and subsequent Statements No. 37 and No. 38 governing the presentation of the financial statements, MD&A, and note disclosure for state and local governments. The MD&A is designed to provide an overview of the EIAA's financial activities.

Financial Highlights

- The EIAA has implemented GASB 68 which has resulted in the EIAA recording its proportionate share of Nevada's PERS underfunded pension liability of \$1,704,191 and \$1,542,117 for fiscal years 2018 and 2017, respectively. Recording this liability has resulted in a deficit net position of \$288,263 in 2018 and \$468,964 for 2017.
- Revenues received in 2018 were \$2,067,174 and \$1,826,475 for 2017, a total increase of \$240,699. This was mostly a result of an increase of \$234,093 in funds received from the State of Nevada's Distributive School Fund.
- The EIAA's average daily enrollment weighted, which is the basis for the EIAA's proportionate share of the State of Nevada's Distributive School Fund, was 170.32 for 2018 versus 162.29 for 2017.
- The EIAA's rental agreement for the current location of the school will come to term in August 30, 2019. The EIAA board and school administration is actively perusing options to find another location for the school.

Overview of the Financial Statements: This discussion and analysis is intended to serve as an introduction to the EIAA's basic financial statements. The EIAA's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

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

The statement of net position presents information on all of the EIAA'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 the EIAA is improving or deteriorating.

The statement of activities presents information showing how the EIAA'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 (i.e., uncollected taxes and earned but unused vacation leave).

In many government entities, the government-wide financial statements distinguish functions that are supported by taxes and intergovernmental revenues from other functions that are intended to recover all or a significant portion of their costs through user fees and charges by reporting them as business-type activities. The EIAA has no functions in the business type category resulting in the entire statement representing governmental activities.

**ELKO INSTITUTE FOR ACADEMIC ACHIEVEMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

Fund Financial Statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The EIAA, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The EIAA can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows 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 a government's near-term financing requirements. To provide a better understanding of the relationship between the fund statements and government-wide statements, reconciliation is provided between the two statement types.

Proprietary Funds: Proprietary funds are comprised of enterprise funds and internal service funds. As reported previously, the EIAA has no business-type activities to be accounted for in enterprise fund and internal service funds.

Fiduciary Funds: Funds that are used to report assets held in a trustee or agency capacity for others and therefore cannot be used to support the government's own programs. The EIAA currently maintains assets related to student council in the amount of \$5,803.

Notes to the Financial Statements: The notes provide required disclosure and information necessary to understand the EIAA's activities.

Major Features of Government-Wide and Fund Financial Statements

	Government-Wide Financial Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire EIAA (except fiduciary funds)	Activities of the EIAA that are not proprietary or fiduciary	Activities of the EIAA that are operated similar to private business	Instances in which the EIAA is the trustee agent for someone else's resources
<i>Required financial statements</i>	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of revenue, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenue, expenses, and changes in net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
<i>Accounting basis and measurement focus</i>	Accrual Accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus

**ELKO INSTITUTE FOR ACADEMIC ACHIEVEMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

Elko Institute for Academic Achievement's Net Position

	FISCAL YEAR 2018	FISCAL YEAR 2017	\$ Change	% Change
Assets				
Current and other assets	\$ 826,680	\$ 532,312	\$ 294,368	55.3%
Net capital assets	317,584	357,798	(40,214)	(11.2)%
Deferred outflows of resources	654,984	594,541	60,443	10.2%
Total assets and deferred outflows of resources	1,799,248	1,484,651	105,228	7.1%
Liabilities				
Current liabilities	224,200	237,401	(13,201)	(5.6)%
Long-term liabilities	1,751,482	1,630,950	120,532	7.4%
Deferred inflows of resources	111,829	103,264	8,565	8.3%
Total liabilities and deferred inflows of resources	2,087,511	1,971,615	115,896	5.9%
Net Position				
Invested in Capital assets, net of related debt	228,748	227,616	1,132	0.5%
Restricted for employee medical expenses and debt service	44,700	57,313	(12,613)	(22.0)%
Unrestricted	(561,711)	(771,893)	210,182	27.2%
Total net position (deficit)	(288,263)	(486,964)	198,701	40.8%

Net Position Highlights:

- Current assets increased \$294,368 from fiscal year 2017 to 2018 primarily for the following reasons:
 - The EIAA finished the fiscal year 2018 with \$567,660 in cash of which \$40,899 was restricted for debt service regarding vans purchased for student transportation in 2017. This equated to an increase of \$187,360 from the fiscal year 2017 cash balance of \$380,299. This was primarily a result of cost control efforts during the fiscal year as well as the school looking for more revenue sources through grants, contributions and increased student enrollment.
 - Due from other governments increased \$48,046 year-over-year from \$79,110 in 2017 to \$127,156 in 2018 as reimbursement grants awarded the EIAA was received after yearend to close out the grants.
- Deferred outflows of resources increased \$60,443 for deferred payments remitted to Nevada PERS for related pension expense for full time employees of the EIAA. The EIAA is informed by PERS what the balance of the deferred outflows of resources is in annual report provided by PERS.
- Long-term liabilities increased \$120,532 mostly as a result of net pension liability for the EIAA. At year-end, the net pension liability increased \$162,074.

**ELKO INSTITUTE FOR ACADEMIC ACHIEVEMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

Elko Institute for Academic Achievement's Statement of Activities

	<u>FISCAL YEAR 2018</u>	<u>FISCAL YEAR 2017</u>	<u>\$ Change</u>	<u>% Change</u>
Revenues				
Program revenues:				
Operating grants and contributions	\$ 297,648	\$ 260,769	\$ 36,879	14%
General revenues				
Local school support taxes	<u>1,769,526</u>	<u>1,565,706</u>	<u>203,820</u>	13%
Total revenues	<u>2,067,174</u>	<u>1,826,475</u>	<u>240,699</u>	13%
Expenses				
Instruction				
Regular instruction	931,468	752,181	177,321	24%
Special instruction	275,850	246,763	29,377	12%
Support services				
School administration	460,001	454,779	7,370	2%
Operation and maintenance	196,187	190,196	5,991	3%
Interest	4,967	3,668	1,299	35%
Total expense	<u>1,868,473</u>	<u>1,647,587</u>	<u>221,358</u>	13%
Increase (decrease) in net position	<u>198,701</u>	<u>178,888</u>		
Net position, beginning	<u>(486,964)</u>	<u>(665,852)</u>		
Net position, ending	<u>\$ (288,263)</u>	<u>\$ (486,964)</u>		

Statement of Activities Highlights:

- EIAA's operating grants and contributions revenues increased \$36,879 mostly due to the EIAA actively looking to diversify their revenues with grant monies.
- EIAA's special instruction increase \$29,377 year-over-year primarily due more grants received and ensuring they are expended as restricted by the granting agency.

Elko Institute for Academic Achievement's Capital Assets

	<u>FISCAL YEAR 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>FISCAL YEAR 2018</u>
Leasehold improvements	\$ 295,474	\$ -	\$ -	\$ 295,474
Computers and smartboards	163,740	-	-	163,740
Furniture, fixtures, and equipment	55,218	-	-	55,218
Furniture, fixtures, and equipment	<u>56,000</u>	<u>-</u>	<u>-</u>	<u>56,000</u>
Total Capital Assets	570,432	-	-	570,432
Less Accumulated Depreciation	<u>(212,634)</u>	<u>(40,214)</u>	<u>-</u>	<u>(252,848)</u>
Totals	<u>\$ 357,798</u>	<u>\$ (40,214)</u>	<u>\$ -</u>	<u>\$ 317,584</u>

**ELKO INSTITUTE FOR ACADEMIC ACHIEVEMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

Budgetary Highlights

The Final budget (2017-2018) was approved February 22, 2018. Budgeted appropriations are developed with certain main determinants remaining unknown; most important of which are the per pupil allocations as a result of a legislative special session, final certified enrollment, the prior year's audited ending fund balance, and changes in legislative mandate. For this reason, the "original" budget is approved and submitted based on future resolution of these unknown issues. The Board did approve additional budget revisions, including amendments and augmentations for the year ended June 30, 2018.

Nevada statutes and EIAA regulations require that EIAA's legally adopt budgets for all funds (except for agency funds). Budgets are prepared in accordance with generally accepted accounting principles and in accordance with state statutes. Budgeted amounts reflected in the accompanying financial statements recognize amendments made during the year. The final appropriated budget is prepared by fund, program and function. All appropriations lapse at year-end and encumbrances are re-appropriated in the ensuing fiscal year.

The Board adopted Final Budget for the General Fund and Special Revenue Fund reflected total revenue of \$1,919,645 and total expenditures of \$1,764,725 including a projected ending fund balance of \$154,920. Actual revenue recognized in FY2017-18 was \$2,067,174 with \$1,758,551 in expenditures and an ending funding balance of \$644,025.

Economic Factors

The EIAA originally received authorization in 2009 from the Nevada State Board of Education to operate as a grade K-8 school. For the fiscal years ended June 30, 2018 and 2017 the EIAA weighted audited enrollment count day figures was 170.32 and 162.29, respectively.

Request for Information

This financial report is designed to provide a general overview of the EIAA's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Administrator of the Elko Institute for Academic Achievement, 1031 Railroad Street, Suite 107, Elko, NV 89801, Telephone Number 775-738-3422, Email aperkins@eiaanv.net.

In closing, without the leadership and support of the governing body of the EIAA and its employees, the preparation of this report would not have been possible.

ELKO INSTITUTE FOR ACADEMIC ACHIEVEMENT
STATEMENT OF NET POSITION
JUNE 30, 2018

	GOVERNMENTAL ACTIVITIES
ASSETS	
Cash	\$ 567,660
Due from other governments	127,156
Prepaid expenditures	131,864
Capital assets, net of accumulated depreciation	317,584
TOTAL ASSETS	1,144,264
DEFERRED OUTFLOWS OF RESOURCES	
Pension contribution	654,984
LIABILITIES	
Accounts payable and credit card liabilities	37,874
Accrued salaries	94,214
Accrued payroll expenses	50,567
Capital lease	
Due within one year	17,503
Notes payable	
Due within one year	24,042
Due in more than one year	47,291
Net pension liability	1,704,191
TOTAL LIABILITIES	1,975,682
DEFERRED INFLOWS OF RESOURCES	
Pension related	111,829
NET POSITION	
Net investment in capital assets, net of related debt	228,748
Restricted for:	
Flexible spending accounts for employee medical expenses	3,802
Unrestricted (deficit)	(520,813)
TOTAL NET POSITION	\$ (288,263)

See accompanying notes.

ELKO INSTITUTE FOR ACADEMIC ACHIEVEMENT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

	<u>EXPENSES</u>	<u>PROGRAM REVENUES OPERATING GRANTS AND CONTRIBUTIONS</u>	<u>NET(EXPENSES) REVENUES AND CHANGES IN NET POSITION TOTAL GOVERNMENTAL ACTIVITIES</u>
GOVERNMENTAL ACTIVITIES:			
Regular programs	\$ (931,469)	\$ 102,629	\$ (828,840)
Special programs	(275,850)	195,019	(80,831)
Support Services:			
School administration	(460,001)	-	(460,001)
Operation and maintenance	(196,186)	-	(196,186)
Debt service:			
Interest	(4,967)	-	(4,967)
TOTAL PUBLIC CHARTER SCHOOL	<u>\$ (1,868,473)</u>	<u>\$ 297,648</u>	<u>(1,570,825)</u>
			<u>1,769,526</u>
State aid not restricted to specific purposes			
			<u>1,769,526</u>
			198,701
			<u>(486,964)</u>
			<u>\$ (288,263)</u>

See accompanying notes.

**ELKO INSTITUTE FOR ACADEMIC ACHIEVEMENT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018**

	GENERAL FUND	SPECIAL REVENUE FUND	TOTAL GOVERNMENTAL FUNDS
ASSETS			
Cash	\$ 567,660	\$ -	\$ 567,660
Due from other governments	127,156	-	127,156
Prepaid expenditures	131,864	-	131,864
Total Assets	\$ 826,680	\$ -	\$ 826,680
 LIABILITIES AND FUND BALANCE			
LIABILITIES:			
Accounts payable and credit card liabilities	\$ 37,874	\$ -	\$ 37,874
Accrued salaries	94,214	-	94,214
Accrued payroll expenses	50,567	-	50,567
Total Liabilities	182,655	-	182,655
 FUND BALANCE:			
Nonspendable	131,864	-	131,864
Restricted for:			
Flexible spending accounts for employee health benefits	3,802	-	3,802
Facility rents	115,000	-	115,000
Debt-service for note payables	67,399	-	67,399
Unassigned	325,960	-	325,960
Total Fund Balance	644,025	-	644,025
Total Liabilities and Fund Balance	\$ 826,680	\$ -	\$ 826,680

See accompanying notes.

ELKO INSTITUTE FOR ACADEMIC ACHIEVEMENT
RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUND
TO THE STATEMENT OF NET POSITION
JUNE 30, 2018

Total fund balance - governmental fund \$ 644,025

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

Capital assets net of the related depreciation are not reported in the Governmental Fund financial statements because they are not current financial resources, but they are reported in the statement of net position.

Leasehold improvements	295,474	
Computers and smartboards	92,014	
Furniture, fixtures, and equipment	55,218	
Vehicles	56,000	
	498,706	
Less: Accumulated depreciation	(199,053)	
		299,653

Capital leases net of the related amortization not reported in the Governmental Fund financial statements because they are not current financial resources, but they are reported in the statement of net position.

Computers and equipment	71,726	
Less: Accumulated amortization	(53,795)	
		17,931
Capital lease		(17,503)

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	654,984	
Deferred inflows related to pensions	(111,829)	
		543,155

Long-term liabilities are not due and payable in the current period and therefore are not reported in the Governmental Fund financial statements.

Note payable	(71,333)	
Net pension liability	(1,704,191)	
		(1,775,524)

Total net position, governmental activities **\$ (288,263)**

See accompanying notes.

ELKO INSTITUTE FOR ACADEMIC ACHIEVEMENT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE FUND</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
REVENUES			
State sources	\$ 1,769,526	\$ 155,349	\$ 1,924,875
Federal sources	-	39,670	39,670
Local sources	102,629	-	102,629
	<u>1,872,155</u>	<u>195,019</u>	<u>2,067,174</u>
Total Revenues			
EXPENDITURES			
Current:			
Regular programs	854,555	-	854,555
Special programs	76,314	195,019	271,333
Support Services:			
School administration	391,783	-	391,783
Operation and maintenance	188,660	-	188,660
State sponsorship fee	25,720	-	25,720
Debt service:			
Long-term debt principal	22,986	-	22,986
Interest	3,514	-	3,514
	<u>1,563,532</u>	<u>195,019</u>	<u>1,758,551</u>
Total Expenditures			
Revenues over Expenditures	308,623	-	308,623
FUND BALANCE, July 1	<u>335,402</u>	<u>-</u>	<u>335,402</u>
FUND BALANCE, June 30	<u>\$ 644,025</u>	<u>\$ -</u>	<u>\$ 644,025</u>

See accompanying notes.

**ELKO INSTITUTE FOR ACADEMIC ACHIEVEMENT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

Net change in fund balance - governmental fund \$ 308,623

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities.

Current depreciation expense	(40,214)	(40,214)
------------------------------	----------	----------

Issuance of captial leases and note obligations provide current financial resources to governmental funds, while repayment of the principal and interest consumes current financial resources of governmental funds. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Current year change in captial leases	17,502	
Current year change in notes payable	22,986	40,488

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 liabilty 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	(110,196)	(110,196)
---	-----------	-----------

Change in net position of governmental activities	<u>\$ 198,701</u>
--	--------------------------

ELKO INSTITUTE FOR ACADEMIC ACHIEVEMENT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2018

		<u>Student Council</u>
	ASSETS	
Cash		<u>\$ 5,803</u>
	NET POSITION	
Held in trust for student council		<u>\$ 5,803</u>

See accompanying notes.

**ELKO INSTITUTE FOR ACADEMIC ACHIEVEMENT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE YEAR ENDED JUNE 30, 2018**

	Student Council
ADDITIONS:	
Direct public support	\$ 11,246
Deductions:	
Current:	
Regular programs	12,210
Change in Net Assets	(964)
NET POSITION, July 1	6,767
NET POSITION, June 30	\$ 5,803

See accompanying notes.

ELKO INSTITUTE FOR ACADEMIC ACHIEVEMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
(See Independent Auditor's Report)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Elko Institute for Academic Achievement (the EIAA) is a local government authorized by Nevada Revised Statutes (NRS) to operate as a public charter school and is governed by an eight-member Board of Directors (the Board). The Board is comprised of various educational leaders, business professionals, and civic minded individuals throughout Elko County, Nevada.

The EIAA was established in December 2008 to provide high quality education to children from kindergarten through the eighth grade. EIAA's mission is to ensure its students receive the best education possible and they obtain the necessary skills, knowledge and confidence to succeed in their future. The Board possesses the final decision-making authority and is held primarily accountable for those decisions. It is also responsible for adopting and approving the budget, establishing spending limits, funding deficits, and all other acts necessary to carry out the purposes for which the EIAA was created.

A summary of the EIAA's significant accounting policies follows:

Reporting Entity:

The accompanying financial statements include all the activities that comprise the financial reporting entity of the EIAA. The Board is legally separate and fiscally independent of other governing bodies; therefore the EIAA is a primary government and is not reported as a component unit by another governmental unit. The accounting policies of the EIAA conform to accounting principles generally accepted in the United States of America as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing accounting and financial principles.

Use of Estimates:

The financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States. Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenue and expenses during the period reported. These estimates include assessing the collectability of accounts receivable. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from the estimates.

Government-Wide and Fund Financial Statements:

The EIAA's basic financial statements consist of the government-wide and the fund financial statements. The government-wide financial statements include a statement of net position and a statement of activities. The government-wide statements report information on all activities of the EIAA except for fiduciary activity. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, would be reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. EIAA does not engage in any business-type activities.

ELKO INSTITUTE FOR ACADEMIC ACHIEVEMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

(See Independent Auditor's Report)

Government-wide Financial Statements:

The government-wide financial statements are designed to provide readers with a broad overview of the EIAA's finances, in a manner similar to a private-sector business. These statements report information on all of the activities of the EIAA except for fiduciary activity. The government-wide statements are presented on an "economic resources" measurement focus and the accrual basis of accounting.

The statement of net position presents the financial position of the EIAA at year-end. The statement of activities demonstrates the degree to which the direct expenses of a given function or program is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or program. *Program revenues* include charges to patrons who use or directly benefit from goods, services, or privileges provided by a given function, and grants and contributions that are restricted to meet operational or capital requirements of a particular function. Taxes and other revenues not properly included among program revenues are reported as *general revenues*. Those programs or functions with a net cost not supported by program revenues are generally dependent on general-purposes revenues, such as taxes, to remain operational.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements.

Fund Financial Statements:

The EIAA, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements use a "current financial resources" measurement focus and the modified accrual basis of accounting, focusing on the near-term inflows and outflows of spendable resources, and balances of spendable resources available at fiscal year-end.

Fiduciary funds are used to account for assets held by the EIAA on behalf of others. The Student Council Fund reports assets held by the EIAA for the EIAA Student Council group.

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

The Board adopts an annual appropriated budget for the EIAA General Fund. Budgetary comparison schedules have been provided for this fund to demonstrate compliance with the budget.

ELKO INSTITUTE FOR ACADEMIC ACHIEVEMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

(See Independent Auditor's Report)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation:

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Taxes are recognized as revenue in the year for which they are collected. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

Taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Tax collected and held by other governments at year end on behalf of the EIAA is recognized as revenue. Taxes collected by other governments are also recognized as revenue if collected by other governments within 30 days after year end. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the government.

The *General Fund* is the primary operating fund of the EIAA. It accounts for all financial resources of the EIAA, except those required to be accounted for in another fund. The *Special Revenue Fund* is maintained to account for the proceeds of specific state and federal revenue sources that are restricted to specific purposes.

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.

ELKO INSTITUTE FOR ACADEMIC ACHIEVEMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

(See Independent Auditor's Report)

Budget and Budgetary Accounting:

Nevada Statutes require public charter schools to legally adopt budgets for all funds except fiduciary funds. The budgets are filed as a matter of public record with the State Department of Taxation and State Department of Education. The Board uses the following procedures to establish, modify and control the budgetary data reflected in the financial statements:

- On or before April 15, the Board files a tentative budget for all funds for the fiscal year commencing the following July 1. The tentative budget includes proposed expenditures and the means of financing them.
- Public hearings on the tentative budget are held prior to the adoption of the budget to obtain taxpayer comments.
- Prior to June 8, at a public hearing, the Board indicates changes, if any, to be made to the tentative budget and adopts a final budget by a majority vote of the Board. The final budget must then be forwarded to the Nevada Tax Commission for final approval. The above dates may be adjusted as necessary during legislative years.
- On or before January 1, the Board adopts an amended final budget reflecting any adjustments necessary as a result of the completed count of students.
- Formal budgetary integration in the financial records of all funds is employed to enhance management control during the year, however formal encumbrance accounting is not utilized. All appropriations lapse at the end of the fiscal year.
- The appropriated budget amounts may be transferred between functions if the transfer does not increase the total appropriations for the fiscal year subject to advisement of the Board at the next subsequent meeting and must be recorded in the minutes of the meeting. Budget augmentations and amendments in excess of original budgetary amounts require prior approval of the Board, following a scheduled and noticed public hearing.
- Budgets for all funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Budgeted amounts reflected in the accompanying financial statements recognize budget amendments made during the year in accordance with the above procedures.
- In accordance with State statute, actual expenditures may not exceed budgetary appropriations of the various functions of the individual funds except for bond repayments, short-term financing repayment and any other long-term contract expressly authorized by law, and certain other items specified in NRS 354.626. For Proprietary Funds the sum of operating and nonoperating expenses may not exceed the sum of the budgeted operating and nonoperating expenses.

Cash and Investments:

Cash is made up of two checking accounts held at a financial institution. The EIAA has no cash equivalents.

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.
- Negotiable certificates of deposit from commercial banks, insured credit unions or insured savings and loan associations.

ELKO INSTITUTE FOR ACADEMIC ACHIEVEMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

(See Independent Auditor's Report)

- 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 EIAA must remain in the physical possession of an appropriate officer of the EIAA or a trust department of a designated bank (federally insured) after issuing a written acknowledgment. The EIAA has currently no investments.

Receivables:

Receivables include Distributive School Account and other tax amounts due from the State of Nevada or interest due on cash accounts. All receivables are current and therefore due within one year. Receivables are reported net of an allowance for uncollectible accounts and revenues net of uncollectible. Allowances are reported when accounts are proven to be uncollectible. Receivables as stated in the balance sheet are considered fully collectible, accordingly, an allowance for uncollectible accounts is not deemed necessary.

Capital Assets:

Capital assets, which include property, plant, and equipment, are reported in the governmental activities column in the governmental-wide financial statements. Capital assets are defined by the EIAA as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of one year. These assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their estimated fair market value determined at the date of donation.

Capital assets are being depreciated using the straight-line method or 150% declining balance method over the following estimated useful lives:

- Leasehold improvements 39 years
- Computers and smartboards 5 years
- Furniture, fixtures, and equipment 5-7 years

Accrued Salaries:

Accrued salaries consist principally of salaries of certified staff (primarily teachers) that work under a 184-185 day contract to the EIAA, but have elected to be paid over twelve months. The contract with the employees typically begins around the end of August and the accrued salaries relate to services rendered by the employees that have been fully earned by the employees prior to June 30, 2018.

ELKO INSTITUTE FOR ACADEMIC ACHIEVEMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

(See Independent Auditor's Report)

Compensated Absences:

Certified staff and certain hourly employees do not receive vacation leave. For other EIAA employees, vacation leave is earned at rates dependent on length of employment and can be accumulated to a specific maximum number of days. The EIAA pays limited accumulated sick leave benefits to employees upon retirement. Costs for unused vacation and sick leave are recognized currently in the governmental funds for those retiring prior to year-end. Remaining costs of unused vacation and sick leave are not recorded in the fund financial statements, but are included in the government-wide financial statements for those employees who have met the vesting standards as defined in the EIAA Policy Manual based upon the termination method of payment. These benefits are typically paid from the general fund.

Other Post-Employment Benefits:

The EIAA provides post-employment benefits to EIAA retirees, see Note 9.

Net Position:

In the government-wide statements, equity is classified as net position 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.

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."

Fund Balance:

In the governmental fund financial statements, governmental funds report the following classifications of fund balance:

Nonspendable

Amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted

Amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

ELKO INSTITUTE FOR ACADEMIC ACHIEVEMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
(See Independent Auditor's Report)

Committed

Amounts that can be used only for specific purposes determined by a formal action of the Board. The Board is the highest level of decision-making authority for the EIAA. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board.

Assigned

Amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the Board's adopted policy, only the Board may assign amounts for specific purposes.

Unassigned

All other spendable amounts are in unassigned form.

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

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.

Programs:

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 EIAA are classified as support services. Also included in this line item are costs of operating, maintaining and constructing the physical facilities of the EIAA.

Risk Management:

The EIAA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

ELKO INSTITUTE FOR ACADEMIC ACHIEVEMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
(See Independent Auditor's Report)

Subsequent Events:

Management has evaluated subsequent events through November 29, 2018, which is the date these financial statements were available to be issued.

2. COMPLIANCE WITH NEVADA REVISED STATUTES AND ADMINISTRATIVE CODE

The EIAA conformed to all significant statutory and legal constraints on its financial administration during the year, with the following possible exceptions:

The General Fund over expended amounts appropriated for the following programs and functions and, as such, may not be in accordance with the Nevada Revised Statute 354.2626:

Program	Function
Regular Programs	Instructional/Support
Special Programs	Special Instructional

3. "NEVADA PLAN" FOR FINANCING LOCAL EDUCATION AGENCIES

The "Nevada Plan" is the current means used to finance elementary education in Nevada's public charter schools. The process is one in which the state provides a guaranteed amount of funding to a local public charter school. The guarantee is made up of state support paid through the Distributive School Fund and sources collected locally through 2.25-cent Local School Support Tax and 25 cents of Ad Valorem Tax.

Local public charter schools receive apportionments based on a count of children enrolled in the school on the last day of the first school month of the year. Each local public charter school is guaranteed a specific amount per pupil that is developed through a special formula that considers the demographic and geographic characteristics of the public charter school. Transportation is included in the amount per pupil at the rate of 85% of actual historical cost to the public charter school with an increase for inflation based on the Consumer Price Index. A wealth adjustment is made to the support per pupil based on the local public charter school's ability to generate revenues that are outside of the guaranteed level.

Special education is funded on a unit basis at a legislative approved amount per unit. A unit is an organized instructional unit, which includes full-time services of certified personnel providing a program of instruction in accordance with minimum standards prescribed by the State Board of Education.

Public charter schools are protected from significant decreases in enrollment through "Hold Harmless" statutory provisions. If the enrollment of pupils on the last day of the first school month for the school year is less than the enrollment on the last day of the first school month for the prior, or in certain limited circumstances either or both of the immediately preceding two school years, the largest number must be used from among the applicable two or three years for purposes of apportioning money from the state distributive school account to that school district pursuant to NRS 387.124.

ELKO INSTITUTE FOR ACADEMIC ACHIEVEMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

(See Independent Auditor's Report)

4. CASH AND INVESTMENTS

As described in Note 1, Nevada Revised Statutes (NRS 355.170) set forth acceptable investments for Nevada local governments. The Board has not adopted a formal investment policy that would further limit its investment choices nor further limit its exposure to certain risks as set forth below.

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 EIAA 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 EIAA does not have a formal investment policy that specifies minimum acceptable credit ratings beyond those specified in Nevada State Statute.

Custodial Risk

Custodial credit risk is the risk that in the event of a bank failure, the Board's deposits may not be returned. The Board's credit union deposits are covered by National Credit Union Share Insurance Fund (NCUSIF) up to \$250,000. At year-end, the Board's carrying amount of deposits was \$567,660 and the bank balance was \$637,717, of which \$0 was collateralized.

As of June 30, 2018, the EIAA had no investments.

ELKO INSTITUTE FOR ACADEMIC ACHIEVEMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

(See Independent Auditor's Report)

5. CAPITAL ASSETS

The amounts recorded as capital assets as of June 30, 2018 are summarized as follows:

Governmental Activities:	Balance July 1, 2017	Transfers and Additions	Transfers and Deletions	Balance June 30, 2018
Leasehold improvements	\$ 295,474	\$ -	\$ -	\$ 295,474
Computers and smartboards	163,740	-	-	163,740
Furniture, fixtures and equipment	55,218	-	-	55,218
Vehicles	56,000	-	-	56,000
	<u>570,432</u>	<u>-</u>	<u>-</u>	<u>570,432</u>
Less Accumulated Depreciation:				
Leasehold improvements	(37,687)	(7,576)	-	(45,263)
Computers and smartboards	(117,393)	(23,640)	-	(141,033)
Furniture, fixtures and equipment	(54,220)	(998)	-	(55,218)
Vehicles	(3,334)	(8,000)	-	(11,334)
	<u>(212,634)</u>	<u>(40,214)</u>	<u>-</u>	<u>(252,848)</u>
Net	<u>\$ 357,798</u>	<u>\$ (40,214)</u>	<u>\$ -</u>	<u>\$ 317,584</u>

Depreciation expense was charged to functions/programs of the EIAA as follows:

Regular programs	\$ 23,639
Support Services:	
Instructional staff support	9,049
Operation and maintenance	<u>7,526</u>
	<u>40,214</u>

ELKO INSTITUTE FOR ACADEMIC ACHIEVEMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

(See Independent Auditor's Report)

6. NOTES PAYABLE

Notes payable as of June 30, 2018 consist of the following:

The EIAA has an unsecured note payable with a financial institution, payable in monthly payments of \$1,208, including interest at 6.00% per annum.	\$	30,435
The EIAA has a secured note payable with a financial institution, payable in monthly payments of \$1,000, including interest at 2.75% per annum. The note is secured by restricted cash.		40,898
		<u>71,333</u>
Less: Current maturities		<u>(24,042)</u>
		<u>\$ 47,291</u>

The aggregate maturities of the note payable at June 30, 2018, are as follows:

Year	Amount
2019	\$ 24,042
2020	25,152
2021	15,208
2022	<u>6,931</u>
	<u>\$ 71,333</u>

7. CAPITAL LEASE

The EIAA entered into an agreement with Dell Financial Services commencing in June 2015 for a four year term through June 2019 with a renewal option for computers and related equipment and licenses for the amount of \$71,726. Terms of the lease specify annual lease payments of \$19,219 through June 30, 2019. The Capital Lease balance as of June 30, 2018 totaled \$17,502. The final future minimum lease payment of \$19,219 is due in 2019, less \$1,717 representing interest with a present value of minimum lease payments of \$17,502.

Amortization expense of \$17,932 has been included in depreciation.

8. COMMITMENTS AND CONTINGENCIES

The EIAA entered into an agreement with Vaughn Industrial Park commencing on February 1, 2014 through August 30, 2019 with a renewal option. Terms of the lease specify annual base rent of \$115,000 through August 30, 2019.

ELKO INSTITUTE FOR ACADEMIC ACHIEVEMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

(See Independent Auditor's Report)

9. DEFINED PENSION BENEFIT 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.

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 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.

ELKO INSTITUTE FOR ACADEMIC ACHIEVEMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

(See Independent Auditor's Report)

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, 2017, 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, 2017:

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

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

Net Pension Liability

At June 30, 2018, the EIAA reported a liability 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 EIAA's proportion of the net pension liability was based on the EIAA's share of contributions in the PERS pension plan relative to the total contributions of all participating PERS employers. At July 1, 2017, the EIAA's proportion was 0.01281%.

ELKO INSTITUTE FOR ACADEMIC ACHIEVEMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

(See Independent Auditor's Report)

Pension Liability Discount Rate Sensitivity

The following presents the net pension liability of the EIAA as of June 30, 2017, calculated using the discount rate of 7.50%, as well as what the EIAA's 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	\$ 2,576,261	\$ 1,704,191	\$ 979,923

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 EIAA'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%
Payroll Growth	5.00% including inflation
Investment Rate of Return	7.50%
Productivity Pay Increase	0.5%
Projected Salary Increases	Regular: 4.25% to 9.15%, depending on service Police/Fire: 4.55% to 13.9%, depending on service Rates include inflation and productivity increases
Consumer Price Index	2.75%
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.

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

ELKO INSTITUTE FOR ACADEMIC ACHIEVEMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

(See Independent Auditor's Report)

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

For the year ended June 30, 2017, the EIAA recognized pension expense of \$199,873. At June 30, 2018, the EIAA 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	\$ 11,065	\$ 111,829
Changes in assumptions or other inputs	113,057	-
Net difference between projected and actual earnings on pension plan investments	-	-
Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate contributions	321,493	-
EIAA contributions subsequent to the measurement date	209,369	-
Total	\$ 654,984	\$ 111,829

\$654,984 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, 2018.

The average of the expected remaining service lives of all employees that are provided with pensions through the System (active and inactive employees) determined at July 1, 2017 (the beginning of the measurement period ended June 30, 2018) is 6.39 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
2019	\$ 17,501
2020	17,501
2021	17,501
2022	17,501
2023	17,501
thereafter	24,324
	\$ 111,829

ELKO INSTITUTE FOR ACADEMIC ACHIEVEMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
(See Independent Auditor's Report)

Reconciliation of Net Pension Liability

	Amount
Beginning Net Pension Liability	\$ 1,542,117
Pension Expense	199,873
Employer Contributions	(89,204)
Change in Deferred Outflows	59,970
Change in Deferred Inflows	(8,565)
Ending Net Pension Liability	\$ 1,704,191

Additional Information

Additional information is located in the PERS Comprehensive Annual Financial Report (CAFR), available on the PERS' website at www.nvpers.org under Quick Links - Publications.

REQUIRED SUPPLEMENTARY INFORMATION

ELKO INSTITUTE FOR ACADEMIC ACHIEVEMENT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND (GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2018

REVENUES	ORIGINAL BUDGET	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
State Sources:				
Distributive school fund	\$ 1,672,558	\$ 1,680,969	\$ 1,769,526	\$ 88,557
Local Sources:				
Contributions	19,000	18,500	102,629	84,129
Total Revenues	<u>1,691,558</u>	<u>1,699,469</u>	<u>1,872,155</u>	<u>172,686</u>
EXPENDITURES				
Regular Programs:				
Instruction:				
Salaries	493,100	520,000	516,946	3,054
Benefits	204,000	206,475	190,565	15,910
Purchased services	30,400	30,400	28,327	2,073
Supplies	64,500	75,500	77,581	(2,081)
Property	3,000	3,300	360	2,940
Other Support Services:				
Salaries	6,500	11,000	11,197	(197)
Benefits	950	19,200	12,659	6,541
Purchased services	12,500	16,500	16,819	(319)
Supplies	-	100	100	-
	<u>814,950</u>	<u>882,475</u>	<u>854,554</u>	<u>27,921</u>
Special Programs:				
Instruction:				
Salaries	42,000	42,000	30,855	11,145
Benefits	24,300	21,300	15,260	6,040
Purchased services	-	-	30,199	(30,199)
Supplies	-	-	-	-
	<u>66,300</u>	<u>63,300</u>	<u>76,314</u>	<u>(13,014)</u>

See accompanying notes to required supplementary information.

ELKO INSTITUTE FOR ACADEMIC ACHIEVEMENT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND (GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2018

EXPENDITURES (continued)	ORIGINAL BUDGET	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
School Administration:				
Salaries	288,400	225,500	224,863	637
Benefits	107,600	89,775	88,967	808
Purchased services	116,500	90,455	76,310	14,145
Supplies	1,500	2,000	1,643	357
	<u>514,000</u>	<u>407,730</u>	<u>391,783</u>	<u>15,947</u>
Operation and Maintenance:				
Purchased services	173,550	184,500	178,431	6,069
Supplies	11,000	11,000	10,230	770
	<u>184,550</u>	<u>195,500</u>	<u>188,661</u>	<u>6,839</u>
State Sponsorship Fee	32,200	24,400	25,720	(1,320)
Debt Service	27,100	27,100	26,500	600
	<u>59,300</u>	<u>51,500</u>	<u>52,220</u>	<u>(720)</u>
Total Expenditures	<u>1,639,100</u>	<u>1,600,505</u>	<u>1,563,532</u>	<u>36,973</u>
Net Change in Fund Balance	52,458	98,964	308,623	209,659
FUND BALANCE, July 1	<u>(48,621)</u>	<u>362,376</u>	<u>335,402</u>	<u>(26,974)</u>
FUND BALANCE, June 30	<u>\$ 3,837</u>	<u>\$ 461,340</u>	<u>\$ 644,025</u>	<u>\$ 182,685</u>

See accompanying notes to required supplementary information.

ELKO INSTITUTE FOR ACADEMIC ACHIEVEMENT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
SPECIAL REVENUE FUND (GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2018

REVENUES	ORIGINAL BUDGET	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Federal Sources:				
Title II	\$ 25,000	\$ 39,670	\$ 39,670	\$ -
State Sources:				
Great Teaching	-	108,000	72,869	(35,131)
Pre-K	-	38,340	30,157	(8,183)
Social worker	-	31,280	31,280	-
Special Education	<u>138,300</u>	<u>2,886</u>	<u>21,043</u>	<u>18,157</u>
Total Revenues	<u>163,300</u>	<u>220,176</u>	<u>195,019</u>	<u>(25,157)</u>
EXPENDITURES				
Federal Programs:				
Title II:				
Purchased services	<u>18,200</u>	<u>39,670</u>	<u>39,670</u>	<u>-</u>
State Programs:				
Great Teaching:				
Salaries	55,000	55,000	48,585	6,415
Benefits	16,500	18,175	21,365	(3,190)
Purchased services	-	35,825	2,919	32,906
Pre-K:				
Salaries	-	(38,340)	17,046	(55,386)
Benefits	-	35,340	3,183	32,157
Purchased services	-	-	9,928	(9,928)
Social worker				
Salaries	-	-	30,690	(30,690)
Benefits	-	-	590	(590)
Special Education:				
Salaries	-	-	12,686	(12,686)
Benefits	-	-	6,069	(6,069)
Purchased services	<u>7,000</u>	<u>18,550</u>	<u>2,288</u>	<u>16,262</u>
	<u>78,500</u>	<u>124,550</u>	<u>155,349</u>	<u>(30,799)</u>
Total Expenditures	<u>96,700</u>	<u>164,220</u>	<u>195,019</u>	<u>(30,799)</u>

See accompanying notes to required supplementary information.

ELKO INSTITUTE FOR ACADEMIC ACHIEVEMENT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
SPECIAL REVENUE FUND (GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2018

	<u>ORIGINAL BUDGET</u>	<u>REVISED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
Net Change in Fund Balance	66,600	55,956	-	(55,956)
FUND BALANCE, July 1	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, June 30	<u>\$ 66,600</u>	<u>\$ 55,956</u>	<u>\$ -</u>	<u>\$ (55,956)</u>

See accompanying notes to required supplementary information.

**ELKO INSTITUTE FOR ACADEMIC ACHIEVEMENT
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018**

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
The EIAA's proportion of the net pension liability (asset)	0.01281%	0.01146%	0.01075%	0.00922%
The EIAA's proportionate share of the net pension liability (asset)	\$ 1,704,191	\$ 1,542,117	\$ 1,704,191	\$ 961,409
The EIAA's covered-employee payroll	\$ 680,832	\$ 760,572	\$ 680,832	\$ 661,924
The EIAA's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	250.31006%	202.75753%	179.37056%	145.24462%
Plan fiduciary net position as a percentage of the total pension liability	74.41653%	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 EIAA'S CONTRIBUTIONS
PUBLIC EMPLOYEES' RETIREMENT SYSTEM OF NEVADA
LAST 10 FISCAL YEARS**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 209,370	\$ 220,347	\$ 191,936	\$ 171,764
Contributions in relation to the contractually required contribution	<u>(209,370)</u>	<u>(220,347)</u>	<u>(191,936)</u>	<u>(171,764)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
The EIAA's covered-employee payroll	\$ 680,832	\$ 760,572	\$ 687,028	\$ 661,924
Contributions as a percentage of covered-employee payroll	30.75208%	28.97122%	27.93714%	25.94920%

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.

See accompanying notes to required supplementary information.

COMPLIANCE SECTION



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*

To the Board of Trustees of
Elko Institute for Academic Achievement
Elko, Nevada

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, and the aggregate remaining fund information of the Elko Institute for Academic Achievement (the "Institute"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Elko Institute for Academic Achievement basic financial statements, and have issued our report thereon dated November 29, 2018.

Internal Control Over Financial Reporting

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

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 Institute's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Watkins Jackson CPAs
November 29, 2018
Las Vegas, Nevada