

ARGENT PREPARATORY ACADEMY

*Financial Statements and
Supplementary Information*

June 30, 2017



SchettlerMacy
& Associates LLC

CERTIFIED PUBLIC ACCOUNTANTS

ARGENT PREPARATORY ACADEMY

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the
Agent Preparatory Academy
Carson City, Nevada

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, General Fund, and the aggregate remaining fund information of Agent Preparatory Academy (the School), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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 of 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, General Fund, and the aggregate remaining fund information of Agent Preparatory Academy as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-8, budgetary comparison information on pages 31-33, schedule of school's proportionate share of the net pension liability on page 34, and the schedule of contributions on page 35 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2016, on our consideration of the 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 the School's internal controls over financial reporting and compliance.

Schettler Mary & Associates, LLC

Reno, Nevada
October 31, 2017

**ARGENT PREPARATORY ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017**

As management of Argent Preparatory Academy (formerly Silver State Charter School), we offer readers of the School's financial statements this narrative overview and analysis of its financial activities for the fiscal year ended June 30, 2017. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the School's financial statements, which follow this narrative.

Overview of the Financial Statements

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

Basic Financial Statements

Government-Wide Financial Statements

The first two statements in the basic financial statements are the **Government-wide Financial Statements**. The government-wide financial statements are designed to provide the reader with a broad overview of the Argent Preparatory Academy's finances, similar in format to a financial statement of a private-sector business. They provide both short and long-term information about the School's financial status.

The *Statement of Net Position* presents information on all of the School's assets plus deferred outflows of resources and liabilities plus deferred inflows of resources, with the difference 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 School is improving or deteriorating.

The *Statement of Activities* presents information showing how the 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 the related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements are on pages 9 and 10 of this report.

**ARGENT PREPARATORY ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017**

Fund Financial Statements

The next statements are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the School. These statements provide more detail than the government-wide statements. The fund financial statements for the School report the governmental and fiduciary funds statements. The School does not currently operate any proprietary funds.

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the Nevada Revised Statutes (NRS) and the School's regulations.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* that provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the School's programs. The relationships between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds are described in reconciliations that are a part of the fund financial statements. These can be found on pages 12 and 14.

The focus of the governmental fund statements is on major funds. The School has one individual governmental fund, which is considered a major fund:

- General Fund

This fund is presented separately in the Governmental Fund Balance Sheet (page 11) and the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance (page 13).

Fiduciary Funds – (i.e., the agency funds) are reported in the fiduciary fund statements, but are excluded from the government-wide reporting. Fiduciary fund financial statements report resources that are not available to fund School programs. The School's fiduciary funds include the following agency fund:

- Student Activity Funds

**ARGENT PREPARATORY ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017**

The basic fiduciary fund financial statement is presented in the Fiduciary Fund Statement of Fiduciary Net Position (page 15).

Notes to the Financial Statements

The next section of the basic financial statements is the notes. The notes to the financial statements explain in detail some of the data contained in those statements and can be found on pages 16 through 30.

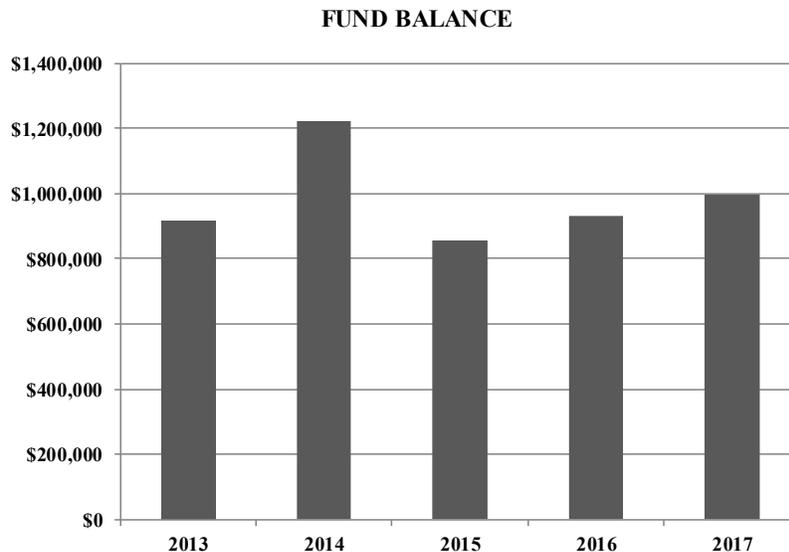
Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. This information includes a comparison of its budgeted revenues and expenditures to the actual results, a schedule of the School's proportionate share of the net pension liability and a schedule of pension contributions. Required supplementary information can be found on pages 31 to 35 of this report.

Financial Highlights

- The School's net position as of June 30, 2017 was \$(394,846), which was a decrease of \$24,452 from the previous year.
- The School's General Fund reported an ending fund balance as of June 30, 2017 of \$998,628, an increase of \$68,729 from the previous year. This was due to a decrease in salaries and benefits expenditures from the previous year as a result of a decrease in enrollment.

The following provides a graphical representation of the School's fund balance as of June 30th for the past five years:



**ARGENT PREPARATORY ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

ARGENT PREPARATORY ACADEMY NET POSITION

	2017	2016
Assets		
Current assets	\$ 1,366,602	\$ 1,423,891
Net capital assets	4,668,596	4,817,655
Total Assets	6,035,198	6,241,546
 Deferred Outflows of Resources	 671,653	 354,438
 Liabilities		
Current liabilities	3,047,003	295,144
Non-current liabilities	3,364,765	5,946,246
Total Liabilities	6,411,768	6,241,390
 Deferred Inflows of Resources	 689,929	 724,988
 Net Position		
Net investment in capital assets	1,996,734	2,083,075
Unrestricted	(2,391,580)	(2,453,469)
Total Net Position	\$ (394,846)	\$ (370,394)

As noted earlier, net assets may serve as one useful indicator of a government's financial condition over time. The liabilities of the Argent Preparatory Academy exceeded assets by \$394,846 as of June 30, 2017. The School's net position decreased by 24,452 for the fiscal year ended June 30, 2017. Approximately \$2.0 million of the School's net position reflects the School's investment in capital assets (e.g. buildings, land, furniture and equipment). These capital assets are used to provide educational services to its students; consequently, they are not available for future spending.

**ARGENT PREPARATORY ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017**

ARGENT PREPARATORY ACADEMY CHANGES IN NET POSITION

	2017	2016
Revenues:		
Program:		
Charges for services	\$ 3,004	\$ 19,296
Operating grants	280,099	25,491
General revenues:		
State aid not restricted to specific purposes	2,540,164	3,304,793
Federal aid not restricted to specific purposes	78,091	-
Other sources	2,321	1,864
Interest income	615	656
Total Revenues	2,904,294	3,352,100
Expenses:		
Instruction	1,506,310	1,551,907
Administration	825,278	1,166,379
Student support	368,037	395,657
Interest on long-term debt	79,543	69,756
Unallocated depreciation	149,578	150,428
Total Expenses	2,928,746	3,334,127
Increase (Decrease) in Net Position	(24,452)	17,973
Net Position, July 1	(370,394)	(388,367)
Net Position, June 30	\$ (394,846)	\$ (370,394)

BUDGETARY HIGHLIGHTS

The School's actual results compared to its budgeted June 30, 2017 results are presented in the accompanying "Budgetary Comparison Schedule", which can be found on page 31.

**ARGENT PREPARATORY ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2017, the School's capital assets, net of accumulated depreciation, of \$4,668,596 consist of buildings, land, computers, playgrounds, office equipment, furniture and leasehold improvements. Additional detail can be found on page 22 of these statements.

Debt Administration

As of June 30, 2017, the School's long term debt includes a loan to Bank of America with a balance of \$2,671,862 to finance the purchase of the main teaching facility. Additional detail can be found on page 23 of these financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The School's principal source of revenue is the per-pupil funding from the State of Nevada. This funding is estimated based on applications received and a projected number of late signups before the start of the school year. The amount of the per-pupil funding becomes fixed as of the official count day in September of each year.

For expenses, Argent Preparatory Academy typically assumes an increase of 1%-5% over the prior year for non-contract items. The majority of Argent Preparatory Academy's expenditures are teacher salaries. Teacher salaries and the related benefits are fixed by contract.

REQUESTS FOR INFORMATION

This report is designed to provide an overview of the Argent Preparatory Academy's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to Mr. Josh Kern, Receiver, Argent Preparatory Academy, 788 Fairview Drive, Carson City, NV 89701, (775) 883-7900.

BASIC FINANCIAL STATEMENTS

ARGENT PREPARATORY ACADEMY

STATEMENT OF NET POSITION

JUNE 30, 2017

ASSETS

Cash and cash equivalents	\$ 1,324,925
Receivables	60
Due from other governments	34,373
Deposits	7,244
Capital assets, net of accumulated depreciation	4,668,596
Total Assets	<u>6,035,198</u>

DEFERRED OUTFLOWS OF RESOURCES

Related to pensions	<u>671,653</u>
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LIABILITIES

Accounts payable	167,797
Accrued expenses	182,012
Due to other governments	25,332
Noncurrent Liabilities:	
Due in less than one year	2,671,862
Due in more than one year	3,364,765
Total Liabilities	<u>6,411,768</u>

DEFERRED INFLOWS OF RESOURCES

Related to pensions	<u>689,929</u>
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NET POSITION

Net investment in capital assets	1,996,734
Unrestricted	<u>(2,391,580)</u>
Total Net Position	<u>\$ (394,846)</u>

See accompanying notes.

ARGENT PREPARATORY ACADEMY

STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2017

FUNCTIONS / PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSES) REVENUES AND CHANGES IN NET POSITION
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	
GOVERNMENTAL ACTIVITIES					
Instruction					
Regular instruction	\$ 1,215,156	\$ -	\$ 280,099	\$ -	\$ (935,057)
Special instruction	260,557	-	-	-	(260,557)
Other instruction	30,597	-	-	-	(30,597)
Total Instruction	1,506,310	-	280,099	-	(1,226,211)
Support services					
Student	92,419	-	-	-	(92,419)
Instructional staff	1,142	-	-	-	(1,142)
School administration	731,717	-	-	-	(731,717)
Operation and maintenance	216,899	-	-	-	(216,899)
Transportation	151,138	3,004	-	-	(148,134)
Interest on long-term debt	79,543	-	-	-	(79,543)
Unallocated depreciation	149,578	-	-	-	(149,578)
Total Support Services	1,422,436	3,004	-	-	(1,419,432)
Total Governmental Activities	\$ 2,928,746	\$ 3,004	\$ 280,099	\$ -	(2,645,643)
General Revenues					
State aid, unrestricted					2,540,164
Investment earnings					615
Other local sources					2,321
Federal aid, unrestricted					78,091
Total General Revenues					2,621,191
Change in Net Position					(24,452)
NET POSITION, July 1					(370,394)
NET POSITION, June 30					\$ (394,846)

See accompanying notes.

ARGENT PREPARATORY ACADEMY

BALANCE SHEET - GOVERNMENTAL FUND

JUNE 30, 2017

ASSETS

Cash and cash equivalents	\$ 1,324,925
Receivables	60
Due from other governments	34,373
Deposits	7,244
	<hr/>
Total Assets	\$ 1,366,602
	<hr/> <hr/>

LIABILITIES

Accounts payable	\$ 167,797
Accrued payroll	174,845
Due to other governments	25,332
	<hr/>
Total Liabilities	367,974
	<hr/> <hr/>

FUND BALANCE

Assigned	231,905
Unassigned	766,723
	<hr/>
Total Fund Balance	998,628
	<hr/> <hr/>
Total Liabilities and Fund Balance	\$ 1,366,602
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See accompanying notes.

ARGENT PREPARATORY ACADEMY

RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE STATEMENT OF NET POSITION JUNE 30, 2017

Fund Balance - Governmental Fund \$ 998,628

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental fund:

Governmental capital assets	5,938,984	
Less accumulated depreciation	<u>(1,270,388)</u>	4,668,596

Deferred inflows and outflow of resources are applicable to future periods and, therefore, are not reported in the governmental fund:

Deferred outflows related to pensions	671,653	
Deferred inflows related to pensions	<u>(689,929)</u>	(18,276)

Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental fund:

Long-term debt	(2,671,862)	
Net pension liability	<u>(3,364,765)</u>	(6,036,627)

Interest payable		<u>(7,167)</u>
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Net Position - Governmental Activities \$ (394,846)

See accompanying notes.

ARGENT PREPARATORY ACADEMY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUND YEAR ENDED JUNE 30, 2017

REVENUES

Local sources	\$ 6,031
State sources	2,833,178
Federal sources	78,091
Total Revenues	<u>2,917,300</u>

EXPENDITURES

Regular programs	1,211,415
Special programs	260,288
Other Instructional Programs - Instruction	30,597
Undistributed expenditures	
Support services	
Student	92,003
Instructional staff	1,142
School administration	745,504
Operation and maintenance	216,326
Transportation	150,460
	<u>1,205,435</u>
Debt service	<u>140,836</u>
Total Expenditures	<u>2,848,571</u>
Net Change in Fund Balance	68,729
FUND BALANCE, July 1	<u>929,899</u>
FUND BALANCE, June 30	<u><u>\$ 998,628</u></u>

See accompanying notes.

ARGENT PREPARATORY ACADEMY

RECONCILIATION OF GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2017

Net Change in Fund Balance - Governmental Fund	\$ 68,729
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>	
<p>The governmental fund reports capital outlays as expenditures. However, in the Statement of Activities, the cost of capital assets is depreciated over their estimated useful lives.</p>	(149,059)
<p>The governmental fund reports district pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.</p>	(7,310)
<p>Repayment of debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.</p>	62,718
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.</p>	(13,006)
<p>Expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>	
Change in long-term compensated absences	14,900
Change in accrued interest	(1,424)
	<hr/>
Change in Net Position - Governmental Activities	\$ (24,452) <hr/> <hr/>

See accompanying notes.

ARGENT PREPARATORY ACADEMY

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2017

	<u>Agency Fund - Student Activities</u>
ASSETS	
Cash	<u>\$ 12,644</u>
LIABILITIES	
Due to student groups	<u> 12,644</u>
NET POSITION	<u><u>\$ -</u></u>

See accompanying notes.

ARGENT PREPARATORY ACADEMY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of Argent Preparatory Academy (the School), formerly the Silver State Charter School, have been prepared in accordance with United States generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the authoritative standard-setting body for establishing governmental accounting and financial reporting.

A summary of the School's significant accounting policies consistently applied in the preparation of the accompanying financial statements is as follows:

Reporting Entity

The School was organized to operate a public charter school sponsored by the State Board of Education, under Nevada Revised Statutes (NRS) 386.500 to 386.610. The School is governed by its Board of Directors (Board) which has decision making authority, the authority to designate management, the ability to significantly influence operations and is primarily accountable for fiscal matters. Therefore, the School is not included in any other governmental reporting entity as defined in GASB pronouncements. The School operates grade levels nine through twelve including students throughout the State of Nevada at a school site located in Carson City County.

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 government-wide financial statements (the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the School.

In the government-wide Statement of Net Position, the governmental activities column is presented on a consolidated basis and is reflected on a full accrual, economic resource basis that recognizes all long-term assets and receivables as well as long-term debt and obligations. The School's net position is reported in three parts: net investment in capital assets, restricted and unrestricted net position.

ARGENT PREPARATORY ACADEMY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

The government-wide Statement of Activities reports both the gross and net cost of each of the School's functions. The functions are also supported by the general government revenues (distributive school funds and interest income not legally restricted for specific programs, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues and operating grants. Program revenues include operating grants and contributions and investment earnings legally restricted to support a specific program. Program revenue must be directly associated with the function. Operating grants include operating-specific and discretionary grants. The net costs (by function) are normally covered by general revenue.

Basic Financial Statements – Fund Financial Statements

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

The focus of the General Fund's measurement in the fund statements is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income.

The General Fund is the general operating fund of the School and accounts for all revenues and expenditures of the School.

The Agency Fund is used to account for assets held in a trustee capacity or as an agent for individuals.

Basis of Accounting / Measurement Focus

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 timing of the revenues and how expenditures/expenses are recognized in the accounts and reported in the financial statements. The basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

ARGENT PREPARATORY ACADEMY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Government-Wide Statements

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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fund Financial Statements

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 School considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. When revenues are due but will not be collected within 60 days after year-end, the receivable is recorded and an offsetting deferred revenue account is established. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Most major sources of revenue reported in governmental funds are susceptible to accrual under the modified accrual basis of accounting.

Agency fund financial statements report only assets and liabilities and accordingly have no measurement focus.

The School reports the following funds:

- General Fund – accounts for the all of the School’s operating activities.
- Agency Fund – used to account for assets held by the School in a trustee capacity or as an agent for individuals. Fund includes the student activity accounts.

Budgets and Budgetary Accounting

The School adheres to policies set forth by the Nevada Department of Education (Department) to adopt a final budget not later than May 1 for the subsequent school year. The School is not required nor prohibited by the Department to amend its budget during the year. The budget was amended for the current fiscal year. The original and final budgets are compared to the actual revenues and expenditures and are presented in the accompanying supplementary information.

ARGENT PREPARATORY ACADEMY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Cash

Cash and cash equivalents are highly liquid debt instruments with original maturities of three months or less. Pursuant to the School's Financial Policies and in compliance with NRS 355.170 and 355.175 the School's funds may only be invested in the following types of securities:

- Time Certificates of Deposit (TCD) with not more than 10 percent of the total deposits of any single institution. A Certificate of Participation must be presented by the issuing institution to cover any outstanding TCD above the statutory level of insurance provided by FDIC/FSLIC.
- Certain banker's acceptances, purchased from a Nevada chartered financial institution.
- Repurchase Agreements collateralized by United States Government or Agency obligation.
- United States Treasury Obligations.
- United States Government Agency Securities.
- State of Nevada Local Government Pool Investment Fund.

Deposits

Deposits consist of amounts on deposit with the lessor of the School's operating facilities.

Capital Assets

Capital assets, which are comprised of land, buildings and improvements, furniture, equipment and vehicles, are reported in the government-wide financial statements. The School defines capital assets as having an initial, individual cost of more than \$300 and an estimated useful life in excess of one year. If purchased or constructed, all capital assets are recorded at historical cost or estimated historical cost. Donated capital assets are valued at their estimated fair value as of the date of donation. The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's life are not capitalized.

Capital assets are depreciated using the straight-line method over estimated useful lives of 5 – 40 years.

ARGENT PREPARATORY ACADEMY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Deferred Outflows and Inflows of Resources

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

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

Accrued Payroll

Accrued payroll consists principally of teacher, administrator, and other School employee salaries and benefits for the school program year ended June 30, 2017, but which were not yet paid as of that date. Accrued payroll is included in accrued expenses on the statement of Net Position.

Compensated Absences

Employees earn and accumulate vacation and sick leave at rates dependent on their position and length of employment. Vacation and sick leave used throughout the year is recorded as a payroll expenditure. An estimated long-term liability is accrued in the government-wide financial statements to the extent of unused vacation and sick leave that would be payable upon termination or retirement.

Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees' Retirement System of Nevada (PERS) plans (Plans) and additions to/deductions from the Plans' 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.

ARGENT PREPARATORY ACADEMY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses/expenditures and disclosure of contingent assets and liabilities. Accordingly, actual results could differ from these estimates.

NOTE 2 – COMPLIANCE WITH NEVADA REVISED STATUTES

In accordance with state statute, actual expenditures may not exceed budgetary appropriations at the program level for governmental funds. For the year ended June 30, 2017 the School conformed to all significant statutory constraints on its financial statements with the following exceptions:

<u>Program Name</u>	<u>Total expenditures in excess of appropriations</u>
Regular Programs	\$ 287,127
Special Programs	26,488

NOTE 3 – “NEVADA PLAN” FOR FINANCING

The “Nevada Plan” is the current means used to finance elementary and secondary education in Nevada’s public schools. The process is one in which the state provides a guaranteed amount of funding to charter schools and local school districts. The guarantee is made up of state support paid through the Distributive School Fund and sources collected locally through a local support and ad valorem tax. Charter schools receive monthly apportionments based on a count of children enrolled within the school on the last day of the first school month of the year. Each charter school is guaranteed a specific amount per pupil, based on the counties where its enrolled students reside, which is developed through a special formula that considers the demographic and geographic characteristics of those counties.

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 certificated personnel providing a program of instruction in accordance with minimum standards prescribed by the State Board of Education.

Charter schools are protected from significant decreases in enrollment through “hold harmless” statutory provisions which guarantees payment based on the largest student enrollment count from the current and previous year.

ARGENT PREPARATORY ACADEMY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 4 – CASH AND CASH EQUIVALENTS

The School's cash balances as of June 30, 2017 were \$1,591,349, which were held in various institutions. Bank deposits are generally covered by FDIC insurance and are collateralized by the Office of the State Treasurer. The bank balances as of June 30, 2017 were \$1,336,295, of which \$755,737 was uninsured but collateralized by securities in the name of the Office of the State Treasurer. Additionally, cash balances held in agency funds as of June 30, 2017 were \$12,644.

NOTE 5 – CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2017 is shown below:

Governmental Activities:	Balance June 30, 2016	Additions/ (Deletions)	Balance June 30, 2017
Equipment	\$ 380,333	\$ -	\$ 380,333
Building and leasehold improvements	4,315,424	-	4,315,424
Land	984,743	-	984,743
Furniture	146,751	-	146,751
Vehicles	111,214	519	111,733
	<u>5,938,465</u>	<u>519</u>	<u>5,938,984</u>
Less accumulated depreciation	<u>(1,120,810)</u>	<u>(149,578)</u>	<u>(1,270,388)</u>
Capital Assets, net	<u>\$ 4,817,655</u>	<u>\$ (149,059)</u>	<u>\$ 4,668,596</u>

Depreciation expense of \$149,578 for the year ended June 30, 2017 has not been allocated to the School's functions/programs.

ARGENT PREPARATORY ACADEMY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 6 – LONG-TERM DEBT

A summary of changes in long-term debt for the year ended June 30, 2017 is shown below:

	Balance			Balance
Governmental Activities:	June 30, 2016	Additions	Reductions	June 30, 2017
Note payable	\$ 2,734,580	\$ -	\$ (62,718)	\$ 2,671,862
Net pension liability	3,196,765	168,000	-	3,364,765
Compensated absences	14,901	-	(14,901)	-
	<u>\$ 5,946,246</u>	<u>\$ 168,000</u>	<u>\$ (77,619)</u>	<u>\$ 6,036,627</u>

Note Payable

In September 2011, the School entered into a loan agreement with Bank of America for the purchase of a new campus. The loan matures November 2017 with a variable interest rate of LIBOR plus 2.15. The School is actively trying to refinance this loan.

As of June 30, 2017, debt service requirements are as follows:

Fiscal Year			
Ending June 30	Principal	Interest	Total
2018	\$ 2,671,862	\$ 67,559	\$ 2,739,421

NOTE 7 – NET POSITION AND FUND BALANCE CLASSIFICATIONS

Government-Wide Financial Statements

The government-wide Statement of Net Position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position is typically categorized as net investment in capital assets, restricted and unrestricted.

ARGENT PREPARATORY ACADEMY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Net position is reported as restricted when there are statutory limitation on their use either through enabling legislation adopted by the School or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. As of June 30, 2017, the School did not report any of its net position as restricted.

Unrestricted net position represents the School's available financial resources.

Fund Financial Statements

The School reports the following classifications as established by GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which establishes standards for fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The School reports the following classifications:

Non-spendable – amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

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

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 School. 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.

Appropriated assigned fund balance is an appropriation of existing fund balance to eliminate a projected budgetary deficit in the subsequent year's budget in an amount no greater than the projected excess of expected expenditures over expected revenues.

Unassigned – the residual classification for the General Fund.

When both restricted and unrestricted resources are available for use, it is the Board's policy to use externally restricted resources first, then unrestricted resources – committed, assigned, and unassigned – as needed, unless the Board has provided for otherwise in its commitment or assignment actions.

ARGENT PREPARATORY ACADEMY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 7 – PENSION PLAN

Plan Description

PERS 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

1. Benefits, as required by NRS, are determined by the number of years of accredited service at the time of retirement and the member's highest average compensation in any 36 consecutive months with special provisions for members entering the System on or after January 1, 2010. Benefit payments to which participants or their beneficiaries may be entitled under the plan include pension benefits, disability benefits, and survivor benefits.
2. Monthly benefit allowances for members are computed at 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 member entering the System on or after January 1, 2010, there is a 2.5% multiplier. The System offers several alternatives to the unmodified service retirement allowance payable monthly during his or her lifetime and various optional monthly payments to a named beneficiary after his or her death.
3. Post-retirement increases are provided by authority of NRS 286.575 - .579.

Contributions

The authority for establishing and amending the obligation to make contributions, and member contributions 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 selection one of two contribution plans. One plan provides for matching employee and employer contributions, while the other plan provides for employer-pay contributions only. Under the

ARGENT PREPARATORY ACADEMY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

matching Employee/Employer Contribution plan a member may, upon termination of service for which contribution is required, withdraw employee contributions which have been credited to their account. All membership rights and active service credit in the System are canceled upon withdrawal of contributions from the member's account. If EPC was elected, the member cannot convert to the Employee/Employer Contribution plan.

Total wages subject to PERS for the year ended June 30, 2017 were \$1,065,107. The School's contribution rates and amounts paid on all covered payroll which are equal to the required contributions for the past three years are as follows:

<u>Fiscal Year</u>	<u>Contribution Rates</u>		
	<u>Employer Pay</u>	<u>Employer / Employee Pay</u>	<u>Employer Contribution</u>
2017	28.00%	14.50%	\$ 331,586
2016	28.00%	14.50%	321,174
2015	25.75%	13.25%	316,871

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

As of June 30, 2017 the School reported a net pension liability for its proportionate share of the net pension liability of the Plan as follows:

	<u>Proportionate Share of Net Pension Liability</u>
Regular	<u>\$ 3,364,765</u>

The School's net pension liability is measured as the proportionate share of the net pension liability of the Plan. The net pension liability is measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer allocation percentage of the net pension liability was based on the 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

ARGENT PREPARATORY ACADEMY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

member contributions relative to the total combined employer and member contributions for all employers for the period ended June 30, 2016. The School's proportionate share of the net pension liability as of June 30, 2016 was .0279%.

For the year ended June 30, 2017, the School recognized pension expense of \$349,308. At June 30, 2017, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience in the measurement of the total pension liability	\$ -	\$ 225,313
Net difference between projected and actual earnings on pension plan investments	312,797	-
Changes in employer's proportion	27,270	464,616
Contribution to pension plan after measurement date	331,586	-
	<u>\$ 671,653</u>	<u>\$ 689,929</u>

The \$331,586 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year ended June 30:	
2018	(25,926)
2019	(25,926)
2020	110,889
2021	53,635
2022	(20,650)
Thereafter	(4,552)

ARGENT PREPARATORY ACADEMY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Actuarial Assumptions

The System's net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate that 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:

Actuarial Cost Method	Entry Age Normal Cost Method
Inflation rate	3.50%
Payroll Growth	5.00% including inflation
Investment Rate of Return	8.00%
Productivity pay increase	0.75%
Projected salary increases	4.6% to 9.75%, depending on service Rates include inflation and productivity increases
Consumer Price Index	3.50%
Other assumptions	Same as those used in the June 30, 2016 funding Actuarial valuation

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

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

Asset Class	Target Allocation	Long-Term 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%

ARGENT PREPARATORY ACADEMY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Discount Rate

The discount rate used to measure the total pension liability was 8.00% as of June 30, 2016. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the pension plan's fiduciary net position at June 30, 2016, was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected payments to determine the total pension liability as of June 30, 2016.

Pension Liability Discount Rate Sensitivity

The following represents the net pension liability of the PERS as of June 30, 2016, calculated using the discount rate of 8.00%, 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 (7.00%) or 1-percentage-point higher (9.00%) than the current discount rate:

	1% Decrease in Discount Rate <u>(7.00%)</u>	Discount Rate <u>(8.00%)</u>	1% Increase in Discount Rate <u>(9.00%)</u>
Net Pension Liability	\$ 4,931,382	\$ 3,364,765	\$ 2,060,476

Payable to the Pension Plan

As of June 30, 2017, the School reported an amount due to the Plan of \$24,791 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2017. This amount is included in accrued payroll and accrued expenses on the accompanying balance sheet and statement of net position, respectively.

NOTE 8 – RISK MANAGEMENT

The School is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the School carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

ARGENT PREPARATORY ACADEMY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 9 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 31, 2017, the date the financial statements were available to be issued. The School has determined there are no material transactions that have not been disclosed.

SUPPLEMENTARY INFORMATION

ARGENT PREPARATORY ACADEMY

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND YEAR ENDED JUNE 30, 2017

(Page 1 of 3)

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET
REVENUES				
Local sources	\$ 16,675	\$ -	\$ 6,031	\$ 6,031
State sources	2,075,000	2,879,860	2,833,178	(46,682)
Federal sources	-	-	78,091	78,091
Total Revenues	<u>2,091,675</u>	<u>2,879,860</u>	<u>2,917,300</u>	<u>37,440</u>
EXPENDITURES				
Regular programs				
Instruction				
Salaries	457,801	438,485	411,774	26,711
Benefits	159,585	288,253	204,448	83,805
Purchased services	8,121	13,000	461,915	(448,915)
Supplies	127,000	157,050	106,080	50,970
Property	-	-	519	(519)
Other	1,450	27,500	26,679	821
Total regular programs	<u>753,957</u>	<u>924,288</u>	<u>1,211,415</u>	<u>(287,127)</u>
Special programs				
Instruction				
Salaries	152,737	200,000	189,663	10,337
Benefits	50,783	15,300	52,596	(37,296)
Purchased services	27,500	17,500	17,646	(146)
Supplies	250	1,000	383	617
Other	500	-	-	-
Total special programs	<u>231,770</u>	<u>233,800</u>	<u>260,288</u>	<u>(26,488)</u>
Other instructional programs				
Purchased services		10,000	9,375	625
Supplies		25,000	21,222	3,778
	<u>-</u>	<u>35,000</u>	<u>30,597</u>	<u>4,403</u>

ARGENT PREPARATORY ACADEMY

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND YEAR ENDED JUNE 30, 2017

(Page 2 of 3)

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET
Undistributed expenditures				
Student support				
Salaries	\$ 42,171	\$ 45,000	\$ 43,169	\$ 1,831
Benefits	11,862	4,000	43,780	(39,780)
Purchased services	750	-	-	-
Supplies	7,250	2,000	2,623	(623)
Other	240	-	2,431	(2,431)
	<u>62,273</u>	<u>51,000</u>	<u>92,003</u>	<u>(41,003)</u>
Instructional staff support				
Benefits	-	25,500	-	25,500
Purchased services	-	-	1,142	(1,142)
Supplies	-	1,000	-	1,000
	<u>-</u>	<u>26,500</u>	<u>1,142</u>	<u>25,358</u>
School administration				
Salaries	243,360	245,000	251,316	(6,316)
Benefits	92,443	22,250	33,714	(11,464)
Purchased services	172,738	496,425	455,756	40,669
Supplies	4,000	1,000	1,411	(411)
Other	3,375	8,000	3,307	4,693
	<u>515,916</u>	<u>772,675</u>	<u>745,504</u>	<u>27,171</u>
Operations and maintenance				
Salaries	72,000	72,000	70,250	1,750
Benefits	20,371	17,500	16,150	1,350
Purchased services	48,650	103,373	93,709	9,664
Supplies	48,500	41,000	36,217	4,783
	<u>189,521</u>	<u>233,873</u>	<u>216,326</u>	<u>17,547</u>
Student transportation				
Salaries	55,500	105,325	103,935	1,390
Benefits	31,269	22,500	22,395	105
Purchased services	50,804	56,927	24,130	32,797
Supplies	100	1,000	-	1,000
	<u>137,673</u>	<u>185,752</u>	<u>150,460</u>	<u>35,292</u>

ARGENT PREPARATORY ACADEMY

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
YEAR ENDED JUNE 30, 2017
(Page 3 of 3)

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET</u>
Total undistributed expenditures	<u>\$ 905,383</u>	<u>\$ 1,269,800</u>	<u>\$ 1,205,435</u>	<u>\$ 64,365</u>
Debt service				
Principal	88,716	75,000	62,718	12,282
Interest	<u>68,011</u>	<u>75,000</u>	<u>78,118</u>	<u>(3,118)</u>
Total debt service	<u>156,727</u>	<u>150,000</u>	<u>140,836</u>	<u>9,164</u>
Total Expenditures	<u>2,047,837</u>	<u>2,612,888</u>	<u>2,848,571</u>	<u>(240,086)</u>
Net Change in Fund Balance	43,838	266,972	68,729	(198,243)
FUND BALANCE, July 1	<u>1,144,787</u>	<u>929,899</u>	<u>929,899</u>	<u>-</u>
FUND BALANCE, June 30	<u>\$ 1,188,625</u>	<u>\$ 1,196,871</u>	<u>\$ 998,628</u>	<u>\$ (198,243)</u>

ARGENT PREPARATORY ACADEMY

SCHEDULE OF EMPLOYER'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY FOR THE LAST TEN FISCAL YEARS*

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability	0.0250%	0.0279%	0.0276%
Proportionate share of net pension liability	\$ 3,364,765	\$ 3,196,765	\$ 2,876,143
Covered employee payroll	\$ 1,576,001	\$ 1,605,115	\$ 1,587,856
Proportionate share of the pension liability as percentage of covered-employee payroll	213.50%	199.16%	181.13%
Plan's fiduciary net position as a percentage of the total pension plan liability	72.20%	75.13%	76.31%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

* The amounts presented have a measurement date of the previous fiscal year end.

ARGENT PREPARATORY ACADEMY

SCHEDULE OF EMPLOYER CONTRIBUTIONS FOR THE LAST TEN FISCAL YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions (actuarially determined)	\$ 331,586	\$ 321,174	\$ 316,871
Contributions in relation to the actuarially determined contributions	<u>(331,586)</u>	<u>(321,174)</u>	<u>(316,871)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 1,576,001	\$ 1,576,001	\$ 1,587,856
Contributions as a percentage of covered-employee payroll	21.04%	20.38%	19.96%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

COMPLIANCE SECTION

**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 Directors of the
Agent Preparatory Academy
Carson City, 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, General Fund, and aggregate remaining fund information of Agent Preparatory Academy, (the School) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated October 31, 2017.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 were not identified. However, as described in the accompanying schedule of Findings and Responses we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiencies described in item FS 2017-01 in the accompanying schedule of findings and responses to be material weaknesses.

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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

School's Response to Findings

The School's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The School's response was not subject 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.

Schettler Macy & Associates, LLC

Reno, Nevada
October 31, 2017

ARGENT PREPARATORY ACADEMY

SUMMARY SCHEDULE OF PRIOR FINDINGS AND RESPONSES JUNE 30, 2017

Finding 2017-01 Internal controls over Payroll Processing (Material Weakness)

Criteria:

An effective internal control system over payroll processing provides reasonable assurance for the safeguarding of assets and the reliability of financial information.

Condition:

Annual employment contracts should be prepared and signed by each employee and the appropriate administrator. The employment contracts should stipulate the employee's hourly rate or salary for that contract period. During our testing of internal controls over payroll we noted certain employees that did not have signed employment contracts.

Cause:

The School's policies and procedures for reviewing payroll transactions do not include reconciling amounts paid to the respective employment contracts.

Effect:

The absence of this critical part of the review process to ensure that employee payments are in accordance with their signed employment contracts provides opportunities for fraudulent activities and increases the risk of processing errors.

Recommendation:

We recommend that part of the procedures for the review of payroll transactions include reconciling amounts paid to the respective employment contracts.

Management Corrective Action Plan:

Management acknowledges that there were employees without properly signed employment contracts. An outside consulting firm was contracted to perform all human resource functions during the fiscal year. As part of this transition, the consultants will ensure that all employees have signed employment contracts, and implement a policy in which all employees are paid in accordance with the terms of such contracts.

ARGENT PREPARATORY ACADEMY

INDEPENDENT AUDITORS' COMMENTS

JUNE 30, 2017

STATUTE COMPLIANCE

Current Year

Our comments related to the School's compliance with significant statutory constraints are reported in Note 2 to the financial statements.

Prior Year

Over expenditures, which were apparent statute violations, were reported for the year ended June 30, 2016.

AUDIT RECOMMENDATIONS

Current Year

Our recommendations related to findings are reported in the schedule of Findings and Responses for the year ended June 30, 2017.

Prior Year

Corrective action was taken for all findings reported for the year ended June 30, 2016.