

THE DELTA ACADEMY

FINANCIAL STATEMENTS

June 30, 2017

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PHILIP ZHANG CPA, LTD.

Certified Public Accountants and Consultants

INDEPENDENT AUDITOR'S REPORT

To the Governing Body
The Delta Academy
North Las Vegas, Nevada

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of The Delta Academy (the School), as of and for the year ended June 30, 2017, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Delta Academy as of June 30, 2017, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Philip Zhang CPA, Ltd.

8860 S. Maryland Pkwy #105 Las Vegas, NV 89123 Phone: (702) 686-5268 Fax: (702) 367-7881

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 2-5, 23-24, respectively be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the 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 25, 2017, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Philip Zhang CPA, Ltd

A handwritten signature in black ink, appearing to be 'P. Zhang', with the letters 'CPA' written in a smaller font to the right of the signature.

Henderson, Nevada

October 25, 2017

Philip Zhang CPA, Ltd.

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THE DELTA ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2017

As management of The Delta Academy (the School), we offer readers of the School's financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2017. Please read it along with the School's financial statements. This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the School as a whole and present a longer-term view of the School's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements report the School's operations in more detail than the government-wide statements.

FINANCIAL HIGHLIGHTS

Total revenue was \$4,058,674 compared to prior period of \$3,543,748, an 15% increase in revenue is due to increase in student enrollment new state grants received. Total expenditures increased by 15% compared to the prior year, due to increased enrollment.

USING THIS ANNUAL REPORT

This annual report consists of financial statements for the School as a whole with more detailed information for certain School funds. The Statement of Net Position and the Statement of Activities provide information about the activities of the school as a whole and present a long-term view of the School's finances.

Fund financial statements present a short-term view of the School's activities (they include only current assets expected to be collected in the very near future and liabilities expected to be paid in the very near future). They present detailed information about the School's general, grant and debt service funds. There is also summarized financial information about the student activity agency fund for which the School acts as a trustee.

THE SCHOOL AS A WHOLE

One important question asked about the School's finances is, "Is the School better or worse off as a result of the year's activities?" The information in the government-wide financial statements helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting (and report depreciation on capital assets), which is similar to the basis of accounting used by most private-sector companies.

The change in net position (the difference between total assets and total liabilities) over time is one indicator of whether the School's financial health is improving or deteriorating. However, you need to consider other non-financial factors in making an assessment of the School's health, such as changes in enrollment, changes in the State's funding of educational costs and changes in the economy to assess the overall health of the School.

THE DELTA ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2017

The School's net position was as follows:

	2017	2016	Change	Percentage
Current assets	\$ 419,381	\$ 352,233	\$ 67,148	19%
Capital assets-net	6,695	6,695	-	0%
Non current assets	-	590	(590)	-100%
Deferred outflows of resources	697,227	603,824	93,403	15%
Total assets	1,123,303	963,342	159,961	17%
Current liabilities	311,154	258,913	52,241	20%
Deferred rent liability	115,331	115,331	-	0%
Deferred inflows of resources	123,555	158,192	(34,637)	-22%
Net pension liability	1,399,079	1,222,660	176,419	14%
Total liabilities	1,949,119	1,755,096	194,023	11%
Net assets	\$ (825,816)	\$ (791,754)	\$ (34,062)	4%

The School's financial position has changed since fiscal year ended June 30, 2016. Total current assets increased 15% primarily due to increase in cash in the bank. Current liabilities increased mainly due to an increase in accounts payable and the timing of payments. The recognition of deferred inflows and outflows and net pension liability as required by the newly implemented GASB 68 also had a significant effect on the School's financial position.

The School's revenues were as follows:

	2017	2016	Change	Percentage
State sources	\$ 3,423,350	\$ 2,971,684	\$ 451,666	15%
Federal sources	535,860	464,493	71,367	15%
Other revenue	99,464	107,571	(8,107)	-8%
Total revenue	\$ 4,058,674	\$ 3,543,748	\$ 514,926	15%

State sources revenue increased by 15% due to an increase in student enrollment. Revenue from Federal sources increased 15% as a result of an increased number of students qualifying for Free and Reduced Lunch as well obtain new grants.

THE DELTA ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2017

The School's expenses were as follows:

Regular program		1,735,681	1,355,345	380,336	28%
Special program		351,090	315,281	35,809	11%
Support services		247,523	221,088	26,435	12%
Food services		69,314	65,118	4,196	6%
General administration		661,916	555,234	106,682	19%
School administration		279,166	182,219	96,947	53%
Central service		72,000	83,842	(11,842)	-14%
Operations and maintenance		676,046	664,934	11,112	2%
Total expenses		\$ 4,092,736	\$ 3,443,061	\$ 649,675	19%

Total expenditures increased by 19% primarily due to increased costs associated with student enrollment.

The School's budgets were as follows:

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUE				
State sources	\$ 3,573,260	\$ 3,573,260	\$ 3,423,350	\$ (149,910)
Federal sources	437,773	437,773	535,860	98,087
Other sources	89,109	89,109	99,464	10,355
Total revenue	4,100,142	4,100,142	4,058,674	(41,468)
EXPENDITURES				
Program expenditures	3,779,659	3,779,659	3,951,422	(171,763)
Other expenditures	249,000	249,000	141,314	107,686
Total expenditures	4,028,659	4,028,659	4,092,736	(64,077)
Excess (deficiency) of revenue over expenditures	71,483	71,483	(34,062)	22,609
FUND BALANCE, beginning of year	(791,754)	(791,754)	(791,754)	(791,754)
FUND BALANCE, end of year	\$ (720,271)	\$ (720,271)	\$ (825,816)	\$ (769,145)

The total expenses increased due to an increase in students over four quarters as well as increased operations cost. The federal revenues increased with the increase from enrollment. The variances in the School's total revenue were primarily a result of the School underestimating the basic per pupil funding received from the State Department of Education, and overestimating rental revenue.

THE DELTA ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2017

FUND FINANCIAL STATEMENTS

The fund financial statements provide detailed information about the most significant of the School's funds; the School is required to provide detailed information for its "major" funds.

Major funds are defined as the general fund and other funds where the assets, liabilities, revenues, or expenditures exceed 10% of total government fund amounts. The general fund met this requirement and, therefore, is considered major funds.

The governmental funds provide a short-term view of the School's operations. They are reported using an accounting method called modified accrual accounting which measures amounts using only cash and other short-term assets and liabilities (receivables and payables) that will soon be converted to cash or will soon be paid with cash.

The governmental fund balance decreased \$34,062 in school year 2016-2017.

The variations between the budget and actual revenue and expenditures are provided in the supplemental section. The actual expenditures are higher than original or final budgeted amounts as detailed in the supplementary information section.

THE FUTURE OF THE SCHOOL

The School's enrollment has grown rapidly since 2007. In terms of achieving our goals and objectives, the School added another successful year to its history.

REQUEST FOR INFORMATION

This report is designed to provide an overview of the 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 Kyle Konold, The Delta Academy, 818 West Brooks Ave, North Las Vegas, NV, 89030, telephone (702) 396-2252.

The Delta Academy
Statement of Net Position
Fiscal year ended June 30, 2017

ASSETS

Current assets

Cash	\$ 193,010
Prepaid	120,134
Accounts receivable	106,237
Total current assets	<u>419,381</u>

Noncurrent assets

Capital assets, net of accumulated depreciation	6,695
Deposits	-
Total noncurrent assets	<u>6,695</u>

Deferred outflows of resources - pension requirement	<u>697,227</u>
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Total assets	<u><u>\$ 1,123,303</u></u>
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LIABILITIES

Current liabilities

Accounts payable	\$ 25,747
Accrued liabilities	200,706
Retirement payable	25,218
Accrued payroll	59,483
Total current liabilities	<u>311,154</u>

Noncurrent liabilities

Deferred rent liability	115,331
Net pension liability	<u>1,399,079</u>

Deferred inflows of resources - pension requirement	<u>123,555</u>
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Total liabilities	<u>1,949,119</u>
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NET POSITION

Net investment in capital assets	6,695
Unrestricted	<u>(832,511)</u>

Total net position	<u>(825,816)</u>
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Total net position and liabilities	<u><u>\$ 1,123,303</u></u>
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The Delta Academy
Statement of Activities
Fiscal year ended June 30, 2017

	<u>Governmental Activities</u>
GOVERNMENTAL ACTIVITIES	
Instruction:	
Regular instruction	\$ 1,735,681
Special instruction	351,090
Support services:	
General administration	661,916
School administration	279,166
Contral service	72,000
Food services	69,314
Operations and maintenance	676,046
Other Support services	<u>247,523</u>
Totals	<u>\$ 4,092,736</u>
PROGRAM REVENUE	
Operating grants	
Regular instruction	593,085
Special instruction	<u>278,143</u>
Total operating grants	871,228
GENERAL REVENUE	
Distributive school account	3,087,982
Other income	<u>99,464</u>
Total general revenue	<u>3,187,446</u>
CHANGE IN NET POSITION	(34,062)
NET POSITION, beginning of the year	(791,754)
NET POSITION, end of the year	<u><u>\$ (825,816)</u></u>

The accompanying notes are an integral part of the financial statements.

**The Delta Academy
Balance Sheet -
Governmental Funds
Fiscal year ended June 30, 2017**

	<u>General Fund</u>	<u>Grants Fund</u>	<u>Total</u>
ASSETS			
Cash	\$ 193,010	\$ -	\$ 193,010
Accounts receivable	106,237	-	106,237
Total assets	<u>\$ 419,381</u>	<u>\$ -</u>	<u>\$ 419,381</u>
LIABILITIES			
Accounts payable	\$ 25,747	\$ -	\$ 25,747
Accrued liabilities	200,706	-	200,706
Retirement payable	25,218	-	25,218
Accrued payroll	59,483	-	59,483
Total liabilities	<u>311,154</u>	<u>-</u>	<u>311,154</u>
FUND BALANCE			
Nonspendable	120,134	-	120,134
Unassigned	(11,907)	-	(11,907)
Total fund balance	<u>108,227</u>	<u>-</u>	<u>108,227</u>
Total liabilities and fund balance	<u>\$ 419,381</u>	<u>\$ -</u>	<u>\$ 419,381</u>

RECONCILIATION TO THE STATEMENT OF NET POSITION

Total fund balance reported above	<u>\$ 108,227</u>
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	6,695
Deferred outflows of resources - pension requirement	697,227
Long-term liabilities are not due and payable in the current period, and, therefore, are not reported as liabilities in governmental funds	
Deferred rent liability	(115,331)
Net pension liability	(1,399,079)
Deferred inflows of resources - pension requirement	<u>(123,555)</u>
Net position reported on the statement of net position	<u>\$ (825,816)</u>

The accompanying notes are an integral part of the financial statements.

The Delta Academy
Statement of Revenues, Expenditures, and Changes in Fund Balance -
Governmental Funds
Fiscal year ended June 30, 2017

REVENUES	<u>General Fund</u>	<u>Grants Fund</u>	<u>Total</u>
State sources	\$ 3,087,982	\$ 335,368	\$ 3,423,350
Federal sources	-	535,860	535,860
Other sources	99,464	-	99,464
	<u>3,187,446</u>	<u>871,228</u>	<u>4,058,674</u>
EXPENDITURES			
Programs			
Regular instruction	1,142,596	593,085	1,735,681
Special instruction	72,947	278,143	351,090
Total programs expenditures	<u>1,215,543</u>	<u>871,228</u>	<u>2,086,771</u>
Support services			
General administration	661,916	-	661,916
School administration	279,166	-	279,166
Central service	72,000	-	72,000
Food services	69,314	-	69,314
Operations and maintenance	676,046	-	676,046
Other Support services	247,523	-	247,523
Total support services	<u>2,005,965</u>	<u>-</u>	<u>2,005,965</u>
Capital outlay	-	-	-
Total expenditures	<u>3,221,508</u>	<u>871,228</u>	<u>4,092,736</u>
Net change in fund balance	(34,062)	-	(34,062)
Fund balance, beginning of year	(791,754)	-	(791,754)
Fund balance, end of year	<u>\$ (825,816)</u>	<u>\$ -</u>	<u>\$ (825,816)</u>

The accompanying notes are an integral part of the financial statements.

The Delta Academy
Statement of Revenues, Expenditures, and Changes in Fund Balance (continued)
Governmental Funds
Fiscal year ended June 30, 2017

Reconciliation to the Statement of Activities

Net change of fund balance in the governmental funds statement \$ (34,062)

Expenses on the statement of activities not included in the governmental funds statement:

Depreciation expense -

Change in net position reported on the statement of activities \$ (34,062)

The accompanying notes are an integral part of the financial statements.

THE DELTA ACADEMY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

Note 1. Nature of activities and significant accounting policies

Reporting entity

The accompanying financial statements include all of the activities that comprise the financial reporting entity of The Delta Academy (the School). The School is governed by a five member governing body. The body is legally separate and fiscally independent from other governing bodies; therefore, the School is a primary government and is not reported as a component unit by any other governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The School is a licensed charter school established July 28, 2007 under Nevada Revised Statute 388A.010 – 388A.640 inclusive and sponsored by the Clark County School District. The Academy's major operation is to provide a safe and nurturing instructional environment in which students from various backgrounds expand their knowledge base to fulfill academic and personal goals through differentiated instruction and reinforcement of positive character traits for grades six through twelve.

Basic financial statements

The School's basic financial statements consist of the government-wide statements and the fund financial statements. The government-wide statements include a statement of net position and a statement of activities, and the fund financial statements include financial information for the governmental type funds. Reconciliations between the fund statements, the statement of net position, and the statement of activities are also included along with statements of revenues, expenditures and changes in fund balances for the School's General Fund.

Government-wide financial statements

The government-wide financial statements are made up of the statement of net position and the statement of activities. These statements include the aggregated financial information of the School as a whole. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges of support.

The statement of net position presents the consolidated financial position of the School at year-end, in separate columns, for both governmental and business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or program are offset by program revenues. Direct expenses are those that are specifically associated with a program or service and are, therefore, clearly identifiable to a particular function. Program revenues include operating and capital grants and contributions and investment earnings legally restricted to support a specific program. Other revenues properly not included among program revenues are reported instead as general revenues. This statement provides a net cost or net revenue of specific programs and functions within the School.

Fund financial statements

The financial accounts of the School are organized on the basis of funds each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts comprised of assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Separate financial statements may be provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter may be excluded from the government-wide financial statements.

THE DELTA ACADEMY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

Note 1. Nature of activities and significant accounting policies – continued

Fund financial statements - continued

The presentation emphasis in the fund financial statements is on major funds, for both governmental and enterprise funds. Major funds are determined based on minimum criteria set forth in GASB Statement Number 34. Major individual governmental funds and major individual enterprise funds are required to be reported in separate columns on the fund financial statements. However, the School currently has no major enterprise funds. The School may also display other funds as major funds if it believes the presentation will provide useful information to the users of the financial statements.

Measurement focus, basis of accounting, and basis of presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds. 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.

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. In general, expenditures are recorded when liabilities are incurred.

The major revenue source of the School is funding from the State of Nevada.

The School's major fund is a governmental fund. The School reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the School. It is used to account for all resources and cost of operations traditionally associated with governments, which are not required to be accounted for in other funds.

Grants Fund - The School Grants Fund is a special revenue fund that accounts for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

Budgets and budgetary accounting

Nevada Statutes and School policies and regulations require the School to legally adopt budgets for all funds except fiduciary funds. Nevada Revised Statute 388A.345 states a charter school shall adopt a final budget in accordance with the regulations adopted by the Department. Pursuant to NRS 354.598, a charter school is not required to comply with the provisions of chapter 354 of NRS in having a public hearing for the adoption of the final budget.

Accounting Standards Codification

The School adopted GASB issued Statement No. 56, Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards (“GASBS 56”). The objective of GASB 56 is to incorporate into the Governmental Accounting Standards Board’s (GASB) authoritative literature regarding certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants’ Statements on Auditing Standards. This Statement addresses three issues not included in the authoritative literature that establishes accounting principles—related party transactions, going concern considerations, and subsequent events.

THE DELTA ACADEMY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

Note 1. Nature of activities and significant accounting policies – continued

GASB No. 13, Accounting for Operating Leases with Scheduled Rent Increases establishes standards of accounting and financial reporting by state and local governmental entities for operating leases with scheduled rent increases, regardless of the fund type used to report the lease transactions. It requires governmental entities to account for operating leases with scheduled rent increases by using the terms of the lease contract when the pattern of the payment requirements is systematic and rational. This includes lease agreements that specify scheduled rent increases over the lease term that are intended to cover economic factors relating to the property, such as the anticipated effects of cost increases or property value appreciation. If, however, an operating lease contains payment requirements in a particular year that are artificially low (for example, to ease the lessee's near-term cash flow requirements), governmental entities should measure the operating lease transactions either on a straight-line basis over the lease term or based on the estimated fair value of the rental. As of June 30, 2017, the school recorded a deferred rent liability of \$115,331.

Cash

Cash consists of cash deposited in a checking account at a financial institution that is readily available. The School maintains its cash in institutions insured by the Federal Deposit Insurance Corporation (FDIC) with a limit of \$250,000 per depositor. Cash held in financial institutions exceeded federally insured limits at various times throughout the year. The School has not experienced any losses in said account and believes it is not exposed to any significant credit risk.

Accounts receivable

Accounts receivable represents amounts due for distributive school account (DSA) funds as of June 30, 2017 and federal e-rate funds. No substantial losses are anticipated from the present receivable balances, therefore, no allowance for uncollectible accounts is deemed necessary.

Prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased. Prepaid items are equally offset by a fund balance classification indicating they are "non-spendable".

Deposits

Amount listed as deposits represents office lease deposits paid. This item will be refunded or recorded as expenditures in future years. Deposits amount is equally offset by a fund balance reservation indicating they are not "available spendable resources." During the year ended June 30, 2017, deposits were accepted in lieu of rental payments in the amount of \$0.

Compensated absences

Compensated absences are accounted for in accordance with GASB Codification, which requires that a liability for compensated absences relating to services already rendered and that are not contingent on a specified event, be accrued as employees earn the rights to the benefits. Compensated absences relating to future services or that are contingent on a specified event will be accounted for in the period those services are rendered or those events take place. The School policy requires accumulated discretionary time off benefits earned during the year to be used before the end of the fiscal year. Therefore, no liability for compensated absences is present.

THE DELTA ACADEMY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

Note 1. Nature of activities and significant accounting policies – continued

Capital assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 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 and updated for additions and retirements during the year. Donated capital assets are valued at their estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset nor materially extend the assets' lives are not capitalized.

Capital assets were being depreciated using the straight-line method over the following estimated useful lives:

Software	3 years
Computer and office equipment	5 years
Furniture	7 years

Accrued Salaries and Benefits

School salaries earned but not paid by June 30, 2017, have been accrued as liabilities and shown as expenses for the current year.

Fund balances

In the fund financial statements, reservations of fund balance represent amounts that are not subject to appropriation or are legally segregated for a specific purpose. Any present designations of fund balance represent tentative management plans that are subject to change. There are no designations at the end of the year.

The fund balance is reported as nonspendable, restricted, committed, assigned, and unassigned. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The restricted fund balance classification includes amounts when constraints placed on the use of resources are either: (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation. The committed fund balance consists of amounts in which the government's highest level of decision-making authority has placed constraints on future spending. The committed balances classification can be redeployed for other purposes with appropriate due process. The assigned fund balance consists of amounts that are constrained by the School's intent to be used for specific purposes. The assigned balance for the current year includes budget shortfalls for the special education fund in the subsequent year. In the governmental fund financial statements, the general fund reports reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a restricted purpose. Reservations and commitments of fund balance represent tentative management plans that are subject to change. The fund balance is reported as unreserved and reserved balances.

Although no formal policies have been adopted, when expenses are incurred that could release committed, assigned and unassigned balances, the School considers the expenses to be applied first to committed balances, second to assigned balances, and lastly to unassigned balances.

THE DELTA ACADEMY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

Note 1. Nature of activities and significant accounting policies – continued

Net position

In the government-wide statements, net position on the Statement of Net Position include the following:

Net investment in capital assets

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 assets

This is the component of net position that reports the constraints placed on the use of assets by either external parties and/or enabling legislation. Currently, the School has no restricted assets. If the School has restricted assets, then they are used first to fund appropriation or only after the unrestricted resources are depleted.

Unrestricted

This is the component of net position that is the difference between the assets and liabilities not reported in Invested in Capital Assets, Net of Related Debt and Restricted Assets.

Use of estimates

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

Revenue line item titles

State sources are revenues paid by the State of Nevada to the School.

Federal sources includes E-rate funding allowing the School to obtain affordable telecommunications and internet access and pass-through grants received through the State.

Other sources are monies generated from other miscellaneous income.

Expenditure line item titles

Regular programs are activities designed to provide secondary students with learning experiences to prepare them as citizens, family members, and non-vocational workers.

Special programs are activities designed primarily to serve students having special needs.

Undistributed expenditures are charges not readily assignable to a specific program. Student and instructional staff support and overall general and administrative costs are classified as undistributed expenditures. Normally, the costs of operating, maintaining, and constructing the physical facilities of the School would be included.

THE DELTA ACADEMY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

Note 1. Nature of activities and significant accounting policies – continued

Functions

Instruction includes all activities dealing directly with the interaction between teachers and students, including the activities of aides or classroom assistants which assist in the instructional process.

General administration includes activities concerned with establishing and administering policy for operating the School.

School administration includes activities concerned with overall administrative responsibility for a school. This includes principals, assistants and clerical staff involved in the supervision of operations at the School. School administration includes activities concerned with establishing and administering policy in connection with operating the School. School administration also includes business support, which includes activities concerned with paying, transporting, exchanging and maintaining goods and services for the School. Included are fiscal services necessary for operating the School.

Central services include activities that support other administrative and instructional functions including fiscal services, human resources, planning, and administrative information technology.

Operations and maintenance services includes occupancy and related expenses, including utilities, repairs and maintenance, and other facility maintenance costs.

Other support services are all other support services that are not otherwise properly classified elsewhere in the support service functions.

Food services operations include activities concerned with providing food to students and staff in a school or school district. This service area includes preparing and serving regular and incidental meals, lunches, or snacks in connection with school activities and food delivery.

Advertising

The school had advertising and informing the public expense totaling \$126,325 for fiscal year ended June 30, 2017.

Deferred Outflows and Inflows of Resources

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

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

THE DELTA ACADEMY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

Note 1. Nature of activities and significant accounting policies – continued

Pensions

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

Note 2. Leases

The School signed a five year lease which commenced on August 25, 2014 for the new larger school facility. The lease provide for rental payments on a graduated basis through July 31, 2018, with a 3% escalation clause each year. The lease matures July 31, 2018 with options to extend to up to four 60 month terms. The School also has a five year copier lease requiring monthly payments of \$250, maturing on July 31, 2019, and a three year computer equipment lease, requiring monthly payments of \$1,229, maturing on July 31, 2017.

Expected minimum future payments are as follows:

Year ending June 30,

2018	526,000
2019	539,000
2020	45,000
Thereafter	-
Total	<u>\$ 1,110,000</u>

Note 3. Capital assets

A summary of changes in capital assets for the fiscal year ended June 30, 2017 follows:

Governmental activities:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets being depreciated:				
Software	\$ 50,269	\$ -	\$ -	\$ 50,269
Computer	95,935	-	-	95,935
Office equipment	41,944	-	-	41,944
Furniture	33,839	-	-	33,839
Total capital assets being depreciated	221,987	-	-	221,987
Less accumulated depreciation:	(215,292)	-	-	(215,292)
Total capital assets being depreciated, net	<u>\$ 6,695</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,695</u>

THE DELTA ACADEMY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

Note 4. Line of Credit

The Company has a \$65,000 unsecured line of credit with a financial institution bearing interest at 6%, with a maturity date of October 25, 2017. The balance was zero at June 30, 2017.

Note 5. Retirement plan

General Information about the Pension Plan

Plan Description

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

Benefits provided

Benefits, as required by the Nevada Revised Statutes (NRS or statute), are determined by the number of years of accredited service at the time of retirement and the member's highest average compensation in any 36 consecutive months 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.

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% multiplier. The System offers several alternatives to the unmodified service retirement allowance which, in general, allow the retired employee to accept a reduced service retirement allowance payable monthly during his or her lifetime and various optional monthly payments to a name beneficiary after his or her death.

Post-retirement increases are provided by authority of NRS 286.575-286.579.

Vesting

Regular members are eligible for retirement at age 65 with five years of service, at age 60 with ten years of service, or at any age with thirty years of service. Regular members entering the System on or after January 1, 2010, are eligible for retirement at age 65 with five years of service, at age 62 with ten years of service, or any age with thirty years of service.

The normal ceiling limitation on monthly benefits allowances is 75% of average compensation. However, a member who has an effective date of membership before July 1, 1985, is entitled to a benefit of up to 90% of average compensation. Both Regular and Police/Fire members become fully vested as to benefits upon completion of five years of service.

Contributions

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, 1993 have the option of selecting one of two contribution plans. One plan provides for matching employee and employer contributions and the other plan provides for employer-pay only.

THE DELTA ACADEMY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

Note 5. Retirement plan (continued)

The System's basic funding policy provides for periodic contributions at a level pattern of cost as a percentage of salary throughout an employee's working lifetime in order to accumulate sufficient assets to pay benefits when due.

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 long-term contributions requirement as a percentage of salary.

For the fiscal years ended June 30, 2017 and June 30, 2016, the Statutory Employer/employee matching rate was 14.50% and 14.50% for Regular, respectively. The Employer-pay contribution (EPC) rate was 28.00% and 28.00% for Regular, respectively.

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

At June 30, 2017, the School reported a liability of \$1,399,079 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School's proportion of the net pension liability was based on total contributions due on wages paid during the measurement period. Each employer's proportion of the net pension liability is based on their combined employer and member contributions relative to the total combined employer and member contributions for all employers for the period ended June 30, 2016. At June 30, 2016, the School's proportion was 0.01040%.

For the year ended June 30, 2017, the School recognized pension expense of \$247,850. Amounts totaling \$205,951 resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. At June 30, 2017, the School reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Differences between expected and actual experience	\$ -	\$ 93,686
Changes of assumptions	-	-
Net difference between projected and actual investment earnings on pension plan investments	130,061	28,869
Changes in proportion and differences between employer contributions and proportionate share of contributions	361,215	-
Contributions subsequent to the measurement date	205,951	-
	<u>\$ 697,227</u>	<u>\$ 122,555</u>

THE DELTA ACADEMY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

Note 5. Retirement plan (continued)

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

<u>Year ending June 30.</u>	
2017	\$ 86,843
2018	86,843
2019	86,843
2020	86,843
2021	11,971
Thereafter	<u>8,380</u>
Total	<u>\$ 367,721</u>

The net difference between projected and actual investment earnings on pension plan investments will be recognized over five years. All the other above deferred outflows and deferred inflows will be recognized over the average expected remaining service lives, which was 6.48 years for the measurement period ending June 30, 2016.

Reconciliation of the net pension liability at June 30, 2017 is as follows:

Beginning net pension liability	\$ 1,222,660
Pension expense	254,040
Employer contributions	(176,294)
New net deferred outflows and outflows	<u>98,673</u>
Ending net pension liability	<u>\$ 1,399,079</u>

Actuarial Assumptions

The System's net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation rate	3.50%
Payroll growth	5.00%, including inflation
Investment rate of return	8.00%
Productivity pay increase	0.75%
Projected salary increases	Regular: 4.60% to 9.75%, depending on service Rates include inflation and productivity increases
Consumer price index	3.50%
Other assumptions	Same as those used in the June 30, 2016 funding Actuarial valuation

THE DELTA ACADEMY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

Note 5. Retirement plan (continued)

Actuarial assumptions used in the June 30, 2016 valuation were based on the results of the experience review completed in 2015. The discount rate used to measure the total pension liability was 8.00% as of June 30, 2016 and June 30, 2015. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in the 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, 2016 and June 30, 2015.

Discount Rate and Pension Liability Discount Rate Sensitivity

The following presents the net pension liability of the PERS as of June 30, 2017, calculated using the discount rate of 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 (7.00%)	Discount Rate (8.00%)	1% Increase in Discount Rate (9.00%)
Net Pension Liability	\$ 2,050,776	\$ 1,399,079	\$ 856,875

Investment Policy

The System's policies which determine the investment portfolio target asset allocation are established by the Retirement Board. The asset allocation is reviewed annually and is designed to meet the future risk and return needs of the System. The following was the Retirement Board's adopted policy target asset allocation as of June 30, 2016:

Asset Class	Target Allocation	Long-Term Geometric Expected Real Rate of Return*
Domestic Equity	42%	5.50%
International Equity	18%	5.75%
Domestic Fixed Income	30%	0.25%
Private Markets	10%	6.80%

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

Pension Plan Fiduciary Net Position

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

Note 6. Concentrations

The School recognized funding support of approximately \$3,087,000 from the State of Nevada during the year ended June 30, 2017, representing approximately 76% of total revenue.

THE DELTA ACADEMY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

Note 7. Subsequent event

We have evaluated the existence of both recognized and unrecognized subsequent events through October 18, 2017, the date the financial statements were available to be issued, and we have none to report.

SUPPLEMENTARY INFORMATION

The Delta Academy
Budget Comparison Schedule
General Fund - GAAP Basis (unaudited)
For the year ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUE				
State sources	\$ 3,573,260	\$ 3,573,260	\$ 3,423,350	\$ (149,910)
Federal sources	437,773	437,773	535,860	98,087
Other sources	89,109	89,109	99,464	10,355
Total revenue	<u>4,100,142</u>	<u>4,100,142</u>	<u>4,058,674</u>	<u>(41,468)</u>
EXPENDITURES				
Program expenditures	3,779,659	3,779,659	3,951,422	(171,763)
Other expenditures	249,000	249,000	141,314	107,686
Total expenditures	<u>4,028,659</u>	<u>4,028,659</u>	<u>4,092,736</u>	<u>(64,077)</u>
Excess (deficiency) of revenue over expenditures	71,483	71,483	(34,062)	22,609
FUND BALANCE, beginning of year	<u>(791,754)</u>	<u>(791,754)</u>	<u>(791,754)</u>	<u>(791,754)</u>
FUND BALANCE, end of year	<u><u>\$ (720,271)</u></u>	<u><u>\$ (720,271)</u></u>	<u><u>\$ (825,816)</u></u>	<u><u>\$ (769,145)</u></u>

The accompanying notes are an integral part of the financial statements.

The Delta Academy
Supplemental Pension Information
Fiscal year ended June 30, 2017

	<u>June 30, 2015</u>
School's proportion of the net pension liability	0.01040%
School's proportionate share of the net pension liability	\$ 1,399,079
School's covered-employee payroll	\$ 650,284
School's proportionate share of the net pension liability as a percentage of its covered-employee payroll	215.15%
Plan fiduciary net position as a percentage of the total pension liability	72.2%

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND INTERNAL CONTROL**

PHILIP ZHANG CPA, LTD.

Certified Public Accountants and Consultants

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 Governing Body
The Delta Academy
North Las Vegas, Nevada

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of The Delta Academy, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise The Delta Academy's basic financial statements, and have issued our report thereon dated October 25, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered The Delta Academy'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 Delta Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of The Delta Academy'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 Delta Academy'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.

Philip Zhang CPA, Ltd.

8860 S. Maryland Pkwy #105 Las Vegas, NV 89123 Phone: (702) 686-5268 Fax: (702) 367-7881

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.

This report is intended solely for the information and use of management and others within the School, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Philip Zhang CPA, Ltd

A handwritten signature in black ink, appearing to be 'P. Zhang', with the letters 'CPA' written in a smaller font to the right of the signature.

Henderson, Nevada

October 25, 2017