

CARSON MONTESSORI CHARTER SCHOOL

(A Political Subdivision of the State of Nevada)

**Financial Statements and
Supplementary Information**

June 30, 2020



SILVA, SCEIRINE
& ASSOCIATES, LLC
CERTIFIED PUBLIC ACCOUNTANTS

CARSON MONTESSORI CHARTER SCHOOL

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the
Carson Montessori Charter School
Carson City, Nevada

We have audited the accompanying financial statements of the governmental activities and each major fund of the Carson Montessori Charter School (a Political Subdivision of the State of Nevada), Carson City, Nevada (the School) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 financial position of the governmental activities and the major funds of the Carson Montessori Charter School as of June 30, 2020, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Correction of Error

As described in Note 8 to these financials, the School's June 30, 2019 net position was restated by \$(33,071) to recognize the effects of recording its initial actuarial valuation pertaining to the net liability for its other postemployment benefits (OPEB). Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the required pension and other postemployment benefit (OPEB) disclosures, and the budgetary comparison information 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.

Report on Summarized Comparative Information

We have previously audited, in accordance with accounting standards generally accepted in the United States of America, the basic financial statements of the School as of and for the year ended June 30, 2019 and have issued our report thereon dated December 16, 2019, except for Note 11, as to which the date was January 28, 2020, which expressed an unmodified opinion on the financial statements of the governmental activities. The summarized comparative information presented in the basic financial statements as of and for the year ended June 30, 2019, is consistent with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2020 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 control over financial reporting and compliance.

Silva Scirena & Assoc, LLC

Reno, Nevada
December 15, 2020



**CARSON MONTESSORI CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020**

As the administration of the Carson Montessori Charter School (a Political Subdivision of the State of Nevada), 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, 2020. 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.

Financial Highlights

- The School's net position (deficit) as of June 30, 2020 was \$(930,522), a decrease in net position of \$189,039 from the previous year. Of this decrease, \$33,071 pertains to the recording of a prior period adjustment, discussed later in this document. The most significant component of the decrease was related to an increase of \$252,345 in pension and OPEB expense (arising from deferred items) reported in the Statement of Activities.
- The net increase in the governmental funds (the General and Special Education Funds) was \$62,227 for the year, as compared to an increase of \$54,857 in the previous year – an increase of approximately 13%.
- As discussed in Note 8 to the financial statements, the government-wide financial statements include a recorded liability; deferred outflows of resources; a prior period adjustment, and an expense for other postemployment benefits (OPEB) based on the School's initial actuarial valuation of its postemployment benefit programs, prepared in December 2020.

**CARSON MONTESSORI CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020**

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 Carson Montessori School'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 and deferred outflows of resources (if any) and liabilities and deferred inflows of resources, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the 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 11 and 12 of this report.

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 General Fund and the Special Education Fund; the School does not currently operate any proprietary or fiduciary 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.

**CARSON MONTESSORI CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020**

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 you 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 14 and 16.

The focus of the governmental fund statements is on major funds. The School has two individual governmental funds, both of which are considered major funds:

- General Fund
- Special Education Fund

These funds are disclosed separately in the Governmental Funds Balance Sheet (page 13) and the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances (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 the government-wide and fund financial statements and can be found on pages 17 through 32.

Required Supplementary Information

The School's required supplementary information is a comparison of its budgeted revenues and expenditures to the actual results achieved for the current fiscal year, which is presented in the *Budgetary Comparison Schedule*. The School combines its General and Special Education funds into one reporting unit for this presentation. In addition to this schedule, the School provides the information required by the Governmental Accounting Standards Board, relative to its participation in the Public Employees' Retirement System in Nevada (PERS) as well as the previously mentioned OPEB.

**CARSON MONTESSORI CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve as one useful indicator of the School's financial condition over time. The liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$930,522 as of June 30, 2020. The School has \$20,503 of its net position, which reflects its investment in capital assets (e.g. furniture and equipment). These capital assets are used to provide educational services to its students; consequently, they are not available for future spending.

Below is a summary of the School's net position (deficit) for 2020 compared to 2019. The 2019 column has been restated to include the liability and reduction in net position of \$33,071 for the recording of the OPEB based upon its initial actuarial valuation as discussed above.

CARSON MONTESSORI SCHOOL NET POSITION (DEFICIT)				
	<u>2020</u>	<u>2019**</u>	<u>Change</u>	
			<u>\$</u>	<u>%</u>
Assets				
Current assets	\$1,333,493	\$1,209,356	\$ 124,137	10.3%
Net capital assets and other	<u>37,356</u>	<u>23,277</u>	<u>14,079</u>	<u>60.5%</u>
Total Assets	1,370,849	1,232,633	138,216	11.2%
Deferred Outflows of Resources	<u>782,574</u>	<u>782,155</u>	<u>419</u>	<u>0.1%</u>
Total Assets and Deferred Outflows	<u>2,153,423</u>	<u>2,014,788</u>	<u>138,635</u>	<u>6.9%</u>
Liabilities				
Current liabilities	212,584	150,674	61,910	41.1%
Non-current liabilities	<u>2,671,794</u>	<u>2,515,565</u>	<u>156,229</u>	<u>6.2%</u>
Total Liabilities	2,884,378	2,666,239	218,139	8.2%
Deferred Inflows of Resources	<u>199,567</u>	<u>123,103</u>	<u>76,464</u>	<u>62.1%</u>
Total Liabilities and Deferred Inflows	<u>3,083,945</u>	<u>2,789,342</u>	<u>294,603</u>	<u>10.6%</u>
Net Position (Deficit)				
Net investment in capital assets	20,503	6,424	14,079	219.2%
Unrestricted	<u>(951,025)</u>	<u>(780,978)</u>	<u>(170,047)</u>	<u>-21.8%</u>
Total Net Position (Deficit)	<u>\$ (930,522)</u>	<u>\$ (774,554)</u>	<u>\$ (155,968)</u>	<u>-20.1%</u>

*** As restated for the effects of the prior-period adjustment related to OPEB.*

**CARSON MONTESSORI CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020**

A case could be made that the largest impact on the School's financial statement in 2020 had no impact on the School's financial condition; GASB 68 (as amended by GASB 82) requires the School to recognize a net pension liability of \$2,539,339. As discussed below, users of this financial statement will gain a clearer understanding of the School's actual financial condition by adding deferred inflows related to pension and the net pension liabilities to the reported net position and subtracting deferred outflows related to pensions, resulting in net position of \$1,026,372 as of June 30, 2020.

GASB statements are national and apply to all governmental financial reports which are prepared in accordance with generally accepted accounting principles. Under the standards required by GASB 68, the pension liability equals the School's proportionate share of the plan's collective present value of estimated future pension benefits attributable to active and inactive employees' past service, less plan assets available to pay benefits.

GASB noted that the unfunded portion of the pension and OPEB benefit promise is a present obligation of the government – part of a bargained-for-benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School is not responsible for certain key factors affecting the balance of this liability. In Nevada, the employee shares the obligation of funding pension benefits with the employer. Contribution rates are established by State statute and are determined. Nevada's Public Employees' Retirement Act requires an adjustment in the statutory contribution rates on July 1 of each odd-numbered year, based on the actuarially determined rates indicated in the actuarial valuation report for the immediately preceding year. There is no legal means to enforce the unfunded liability of the pension and OPEB systems against the public employer.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences, are satisfied through paid time-off or termination payments. There is no repayment schedule for the pension and OPEB liabilities. Changes in pension and OPEB, contribution rates, and return on investments affect the balance of the pension and OPEB liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with the required pension payments, State statute does not assign or identify the responsible party for the unfunded portion. In accordance with GASB 68, the School's statements are prepared on an accrual basis of accounting including an annual pension expense for its proportionate share of the plan's change in net pension liability not accounted for as deferred inflows or outflows.

**CARSON MONTESSORI CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020**

The changes in the School's net position for the years ended June 30, 2020 and 2019 are presented below:

CARSON MONTESSORI SCHOOL CHANGES IN NET POSITION				
	2020	2019**	Change	
			\$	%
Revenues:				
State aid	\$2,479,187	\$2,394,221	\$ 84,966	3.5%
Federal aid	27,079	27,708	(629)	-
Interest income	1,281	1,983	(702)	-35.4%
Other	6,299	2,787	3,512	126.0%
Total Revenues	<u>2,513,846</u>	<u>2,426,699</u>	<u>87,147</u>	<u>3.6%</u>
Expenses:				
Instruction	1,774,499	1,773,974	525	0.0%
Support services	892,394	826,152	66,242	8.0%
Depreciation	2,921	2,353	568	24.1%
Total Expenses	<u>2,669,814</u>	<u>2,602,479</u>	<u>67,335</u>	<u>2.6%</u>
Change in Net Position	<u>\$ (155,968)</u>	<u>\$ (175,780)</u>	<u>\$ 19,812</u>	<u>11.3%</u>

***As restated for the effects of the prior-period adjustment related to OPEB.*

**CARSON MONTESSORI CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020**

BUDGETARY HIGHLIGHTS

The School's actual results compared to its budgeted June 30, 2020 results are presented in the accompanying "Budgetary Comparison Schedule", which can be found on pages 36-37.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The School's capital assets consist of classroom, computer, playground, office equipment and furniture and leasehold improvements. Additional detail can be found on page 23 of these statements.

Debt Administration

The School's long-term debt is comprised of estimates for earned personal and sick leave of the School's principal (the only employee eligible for payout of earned personal and sick leave) as well as an estimate of the future obligations for employee pensions and other postemployment benefits (as discussed earlier in this document). The School has no other long-term debt.

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 based on a calculation of student enrollment.

This administration is committed to maintaining the highest of standards in elementary education and continues to do so through unyielding vigilance and fiscal responsibility. Our enrollment growth and prudent fiscal management have enabled us to consider options for the School's facilities. Despite our continued efforts, a viable option has not yet presented itself. Nevertheless, we remain undaunted in furtherance of the School's mission of quality education. Our search for a new facility and/or expansion options continues; therefore, the administration has maintained its assignment of \$345,000 of our June 30, 2020 General Fund balance towards this end.

**CARSON MONTESSORI CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020**

REQUESTS FOR INFORMATION

This report is designed to provide an overview of the Carson Montessori Charter School'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 Mrs. Jessica Barlow Daniels, Principal, Carson Montessori Charter School, 2263 Mouton Drive, Carson City, NV 89706, 775/887-9500.

CARSON MONTESSORI CHARTER SCHOOL

STATEMENT OF NET POSITION (DEFICIT)

JUNE 30, 2020

ASSETS

Cash	\$	1,233,649
Due from other governments		99,844
Other receivables		5,111
Capital assets, net		20,503
Other assets		11,742
Total Assets		<u>1,370,849</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows related to pensions and OPEB		<u>782,574</u>
Total Assets and Deferred Outflows		<u>2,153,423</u>

LIABILITIES

Accounts payable and accrued liabilities		212,584
Accrued compensated absences		90,108
Net OPEB liability		42,347
Net pension liability		<u>2,539,339</u>
Total Liabilities		2,884,378

DEFERRED INFLOWS OF RESOURCES

Deferred inflows related to pensions		<u>199,567</u>
Total Liabilities and Deferred Inflows		<u>3,083,945</u>

NET POSITION (DEFICIT)

Net investment in capital assets		20,503
Unrestricted		<u>(951,025)</u>
Total Net Position (Deficit)	\$	<u><u>(930,522)</u></u>

See accompanying notes.

CARSON MONTESSORI CHARTER SCHOOL

STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2020

GOVERNMENTAL ACTIVITIES FUNCTIONS / PROGRAMS	EXPENSES	PROGRAM REVENUES		NET (EXPENSES) REVENUES AND CHANGES IN NET POSITION
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	
Regular programs instruction	\$ (1,562,246)	\$ -	\$ 2,520	\$ (1,559,726)
Special programs instruction	(212,253)		168,637	(43,616)
Total Instruction	(1,774,499)	-	171,157	(1,603,342)
Support services	(839,395)	-	-	(839,395)
Facilities acquisition/construction	(52,999)	-	-	(52,999)
Depreciation	(2,921)	-	-	(2,921)
	(895,315)	-	-	(895,315)
Total Governmental Activities	\$ (2,669,814)	\$ -	\$ 171,157	(2,498,657)
General Revenues				
				2,335,109
State aid, unrestricted				1,281
Investment earnings				6,299
Miscellaneous revenue				2,342,689
Total General Revenues				(155,968)
Change in Net Position				
NET POSITION (DEFICIT), July 1, 2019, as previously stated				(741,483)
Prior Period Adjustment				(33,071)
NET POSITION (DEFICIT), July 1, 2019, as restated				(774,554)
NET POSITION (DEFICIT), June 30, 2020				\$ (930,522)

See accompanying notes.

CARSON MONTESSORI CHARTER SCHOOL

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2020

(WITH COMPARATIVE TOTALS FOR JUNE 30, 2019)

	GENERAL FUND	SPECIAL EDUCATION FUND	TOTALS	
			GOVERNMENTAL FUNDS	
			2020	2019
ASSETS				
Cash	\$ 1,233,649	-	\$ 1,233,649	\$ 1,099,226
Due from other funds	88,236	-	88,236	93,809
Due from other governments	3,946	95,898	99,844	110,130
Other receivables	5,111	-	5,111	5,111
Deposits	11,742	-	11,742	11,742
Total Assets	<u>\$ 1,342,684</u>	<u>\$ 95,898</u>	<u>\$ 1,438,582</u>	<u>\$ 1,320,018</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ 204,922	\$ 7,662	\$ 212,584	\$ 150,674
Due to other funds	-	88,236	88,236	93,809
Total Liabilities	<u>204,922</u>	<u>95,898</u>	<u>300,820</u>	<u>244,483</u>
FUND BALANCE				
Assigned				
Building relocation	345,000	-	345,000	345,000
Unassigned	792,762	-	792,762	730,535
Total Fund Balance	<u>1,137,762</u>	<u>-</u>	<u>1,137,762</u>	<u>1,075,535</u>
Total Liabilities and Fund Balance	<u>\$ 1,342,684</u>	<u>\$ 95,898</u>	<u>\$ 1,438,582</u>	<u>\$ 1,320,018</u>

See accompanying notes.

CARSON MONTESSORI CHARTER SCHOOL

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION (DEFICIT)

JUNE 30, 2020

Fund Balance - Governmental Funds \$ 1,137,762

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

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

Governmental capital assets	109,411	
Less accumulated depreciation	<u>(88,908)</u>	20,503

Deferred outflows related to pension and OPEB, including pension payments made subsequent to the measurement date. 782,574

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

Compensated absences	(90,108)	
Pension liability	(2,539,339)	
OPEB liability	<u>(42,347)</u>	(2,671,794)

Deferred inflows related to pension investment returns and changes in assumptions are not reported in the governmental funds. (199,567)

Net Position (Deficit) - Governmental Activities \$ (930,522)

See accompanying notes.

CARSON MONTESSORI CHARTER SCHOOL

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2019)

	GENERAL	SPECIAL	TOTALS	
	FUND	EDUCATION FUND	GOVERNMENTAL FUNDS 2020	2019
REVENUES				
Local sources	\$ 7,580	\$ -	\$ 7,580	4,770
State sources	2,407,848	71,339	2,479,187	2,394,221
Federal sources	2,520	24,559	27,079	27,708
Total Revenues	<u>2,417,948</u>	<u>95,898</u>	<u>2,513,846</u>	<u>2,426,699</u>
EXPENDITURES				
Regular programs	2,263,432	-	2,263,432	2,255,534
Special programs	-	118,188	118,188	116,308
Facilities acquisition and construction	69,999	-	69,999	-
Total Expenditures	<u>2,333,431</u>	<u>118,188</u>	<u>2,451,619</u>	<u>2,371,842</u>
Revenues Over (Under) Expenditures	84,517	(22,290)	62,227	54,857
Transfers from (to) other fund	(22,290)	22,290	-	22,290
Net Change in Fund Balance	62,227	-	62,227	77,147
FUND BALANCE, July 1,	<u>1,075,535</u>	<u>-</u>	<u>1,075,535</u>	<u>1,020,678</u>
FUND BALANCE, June 30,	<u>\$ 1,137,762</u>	<u>\$ -</u>	<u>\$ 1,137,762</u>	<u>\$ 1,097,825</u>

See accompanying notes.

CARSON MONTESSORI CHARTER SCHOOL

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2020

Net Change in Fund Balances - Governmental Funds	\$ 62,227
 Amounts reported for governmental activities in the Statement of Activities are different because:	
 Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of capital assets is depreciated over their estimated useful lives.	
	14,079
 The change in the long-term portion of compensated absences is reported in the Statement of Activities. These do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.	
	(13,000)
 Change in pension and OPEB expenses related to deferred items.	
	<u>(219,274)</u>
 Change in Net Position (Deficit) - Governmental Activities	 <u><u>\$ (155,968)</u></u>

See accompanying notes.

CARSON MONTESSORI CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Carson Montessori Charter School, Carson City, Nevada (the 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 is a political subdivision of the State of Nevada and was organized to operate a public charter school sponsored by the Carson City School District, 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.

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 two parts: invested in capital assets, and unrestricted net position. At the present time, no part of the School's net position is restricted.

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.

CARSON MONTESSORI CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Basic Financial Statements – Fund Financial Statements

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

The emphasis of the fund financial statements is on the major funds in the governmental type activity category. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category) for the determination of major funds. The School's management may electively add funds as major funds, when it is determined the funds have specific community or management focus. Major individual governmental funds are reported as separate columns in the fund financial statements.

The School reports the following major **Governmental Funds**:

General Fund

The General Fund is the general operating fund of the School and accounts for all revenues and expenditures of the School not encompassed within other funds. All receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and capital improvement costs that are not paid through other funds are paid from the General Fund.

Special Education Fund

The Special Education Fund is a special revenue fund. The revenues are legally restricted to expenditures for special education purposes.

Measurement Focus

Government-Wide Financial Statements

The government-wide statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the School are included on the Statement of Net Position. The Statement of Activities presents increases (revenues) and decreases (expenses) in total net position.

CARSON MONTESSORI CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the Balance Sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements and the governmental funds financial statements.

Basis of Accounting

The basis of accounting determines when transactions are recorded in the financial records and reported in the financial statements. The government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences between the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows/outflows, and in the presentation of expenses versus expenditures.

Revenues

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School, available means expected to be received within sixty days of the fiscal year-end.

Non-exchange transactions, in which the School receives value without directly giving equal value in return, include grants, entitlements and donations for which the revenue is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the School must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized. Under the modified accrual basis, the following revenue sources are deemed both measurable and available at fiscal year-end: investment earnings, grants and entitlements.

CARSON MONTESSORI CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Deferred Inflows/Outflows of Resources

In addition to assets, the Statement of Net Position and Balance Sheet will sometimes report a separate section for deferred *outflows* of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until then. The School's deferred outflows are related to its pension contributions and OPEB, as discussed in Notes 7 and 8.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred *inflows* of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. The Statement of Net Position reports deferred inflows related to its pension expense, as also discussed in Note 7.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

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 June 8 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. The School combines its General and Special Education funds into one reporting unit for the budgetary comparison schedule presented as required supplementary information on pages 36 – 37.

Deposits

Amounts are on deposit with the lessor of the School's operating facilities.

Capital Assets

Capital assets, which are comprised of furniture, fixtures, equipment, and leasehold improvements, are reported in the government-wide financial statements. The School defines capital assets as having an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one

CARSON MONTESSORI CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

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 acquisition 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 – 15 years.

Accrued Liabilities

Accrued liabilities consist principally of teacher, administrator, and other School employee salaries and benefits for the school program year ended June 30, 2020, but which were not yet paid as of that date.

Accrued 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 the principal's termination or retirement. No other employees are permitted to receive a payout.

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

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

CARSON MONTESSORI CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 3 – CASH

The School's cash balances as of June 30, 2020 were \$1,233,649, which were held in two institutions in Carson City, Nevada. Bank deposits are generally covered by FDIC insurance and are collateralized by the Office of the State Treasurer. Total bank balances as of June 30, 2020 were \$1,084,409; the uninsured bank balances of \$584,409 were collateralized by securities in the name of the Office of the State Treasurer.

NOTE 4 – 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 invested in capital assets, restricted and unrestricted.

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, 2019, no part of the School's net position is reported as restricted. Unrestricted net position represents the School's available financial resources.

Fund Financial Statements

Generally accepted accounting principles for governments requires 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 may report 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.

CARSON MONTESSORI CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

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. Management has assigned \$345,000 of the June 30, 2020 fund balance in the General Fund to cover anticipated costs of securing a new facility.

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.

NOTE 5 – CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2020 is shown below:

Governmental Activities:	Balance July 1, 2019	Increases (Decreases)	Balance June 30, 2020
Classroom equipment	\$ 23,299	\$ -	\$ 23,299
Computer equipment	23,259	-	23,259
Playground equipment	28,941	-	28,941
Furniture and office equipment	10,552	-	10,552
Leasehold improvements	6,360	17,000	23,360
	92,411	17,000	109,411
Less accumulated depreciation	85,987	2,921	88,908
Capital Assets, net	\$ 8,777	\$ 14,079	\$ 20,503

Depreciation expense of \$2,921 for the year ended June 30, 2020 has not been allocated to the School's functions/programs.

NOTE 6 – OPERATING LEASES

The School's principal facilities are leased under the terms of cancellable month-to-month lease contracts. Rental expense under the lease contracts was \$176,731 for the year ended June 30, 2020. The minimum rental expense under the leases is expected to be approximately \$184,000 for the fiscal year ending June 30, 2021.

CARSON MONTESSORI CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 7 – NEVADA PUBLIC EMPLOYEES’ RETIREMENT SYSTEM

Plan Description

The School contributes to the State of Nevada Public Employees Retirement System (PERS) a statewide, cost-sharing, multiple-employer defined benefit plan administered by the State of Nevada that covers substantially all employees of the School. PERS provides retirement, disability, and death benefits, including annual cost of living adjustments, to plan members and their beneficiaries. Chapter 286 of the Nevada Revised Statutes establishes the benefit provisions provided to the participants of PERS. These benefit provisions may only be amended through legislation. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report is available on the web at <http://www.nvpers.org> or by writing to the State of Nevada Public Employees Retirement System, 693 West Nye Lane, Carson City, NV 89703-1599 or by calling (775) 687-4200.

Benefits Provided

Benefits provisions of the defined benefit pension plan are established by Nevada Revised Statutes (NRS or statute), which may be amended. Benefits are determined by the number of years of accredited service at time of retirement and the member’s highest average compensation in any 36 consecutive months with special provisions for members entering the System on or after January 1, 2010, and on or after July 1, 2015. Benefit payments to which participants or their beneficiaries may be entitled under the plan include pension benefits, disability benefits, and survivor benefits.

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 members entering the System on or after January 1, 2010, there is a 2.5% multiplier, and for regular members entering PERS on or after July 1, 2015, there is a 2.25% multiplier. The System offers several alternatives to the unmodified service retirement allowance which, in general, allow the retired employee to accept a reduced service retirement allowance payable monthly during his or her lifetime and various optional monthly payments to a named beneficiary after his or her death.

Post-retirement increases are provided by authority of NRS 286.575-.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, or age 62 with ten years of service, or any age with thirty years of service. Regular members who entered the

CARSON MONTESSORI CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

System on or after July 2015, are eligible for retirement at age 65 with 5 years of service, or at age 62 with 10 years of service or at age 55 with 30 years of service or any age with 33 1/3 years of service.

The normal ceiling limitation on monthly benefit 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. Members become fully vested as to benefits upon completion of five years of service.

Contributions

Contribution provisions are specified by state statute and may be amended only by action of the State legislature. Contribution rates are based on biennial actuarial valuations and are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance a portion of the unfunded accrued liability. New hires, in agencies which did not elect the Employer-Pay Contribution (EPC) plan prior to July 1, 1983, have the option of selecting one of two contribution plans. One plan provides for matching employee and employer contributions, while the other plan provides for employer-pay contributions only. Under the 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. As of June 30, 2020, all participants were in the EPC plan.

The required contribution rate for the EPC plan for the year ended June 30, 2020 was 20.25%. The School's contributions to the Plan were \$171,856 and \$166,960 for the years ended June 30, 2020 and 2019, respectively.

PERS Investment Policy

PERS' policies which determine the investment portfolio target asset allocation are established by the PERS Board. The asset allocation is reviewed annually and is designed to meet the future risk and return needs of the System.

The following was the PERS Board's adopted policy target asset allocation as of June 30, 2019:

CARSON MONTESSORI CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Asset Class	Target Allocation	Long-Term Geometric Expected Real Rate of Return
U.S. Stocks	42%	5.50%
International Stocks	18%	6.80%
U.S. Bonds	28%	5.75%
Private Markets	12%	0.25%
	100%	

Net Pension Liability

At June 30, 2020, the School reported a liability of \$2,539,339 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School's proportion of the net pension liability was based on the School's share of contributions in the PERS pension plan relative to the total contributions of all participating reporting units and members. At June 30, 2019, the School's proportion of the regular plan was .018622%, compared to its .017638% proportion measured as of June 30, 2018, a difference of .000984%.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the School calculated using the discount rate of 7.5%. The following also reflects what the School's net pension liability would be if it were calculated using a discount rate that is 1.00 percentage point lower (6.50%) or 1.00 percentage point higher (8.50%) than the current discount rate of 7.50%.

	1% Decrease in Discount Rate (6.50%)	Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
Net Pension Liability	\$ 3,931,859	\$ 2,539,339	\$ 1,381,801

Pension Plan Fiduciary Net Position

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

CARSON MONTESSORI CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Actuarial Assumptions

The System's net pension liability was measured as of June 30, 2019, 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:

Investment rate of return	7.5% per year.
Salary increases	4.25% to 9.15% depending on service.
Inflation rate	2.75% per year.
Productivity pay increase	0.50%
Consumer Price Index	2.75%
Other assumptions	Same as those used in the June 30, 2019 funding actuarial valuation.

Actuarial assumptions used in the June 30, 2019 valuation were based on the results of the experience study for the period July 1, 2012 through June 30, 2016, dated October 16, 2017.

The discount rate used to measure the total pension liability was 7.50%. 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 was projected to be available to make all projected future benefit payments for 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.

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

For the year ended June 30, 2020, the School recognized pension expense of \$382,416. As of June 30, 2020, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

CARSON MONTESSORI CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 95,222	\$ 73,244
Changes in assumptions	103,341	-
Net difference between projected and actual earnings on pension plan assets	-	126,323
Changes in proportion and differences between the District's contributions and proportionate share of contributions	411,593	-
The District's contributions subsequent to the measurement date	171,856	-
	<u>\$ 782,012</u>	<u>\$ 199,567</u>

The School's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and (deferred inflows) of resources related to pensions will be recognized in pension expense as follows:

Years Ending June 30	Amount
2021	\$ 138,524
2022	71,752
2023	99,282
2024	63,125
2025	33,048
2026	4,858
	<u>\$ 410,589</u>

CARSON MONTESSORI CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 8 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Retirees of the School may receive continuing health coverage, or other postemployment benefits (OPEB) through the Nevada Public Employees' Benefits Program (PEBP) or through the School's healthcare plan offered to its active employees.

Plan Descriptions

Nevada Public Employees' Benefits Program

As of June 30, 2020, the School has no former employees or retirees for whom it currently is required to pay any subsidy toward retiree health coverage in PEBP, so no liability under PEBP has been recorded. The School will review this determination annually.

The School's Healthcare Plan

The School administers a single-employer defined benefit healthcare plan. This plan provides postemployment healthcare benefits to retirees of the School. Any retiree who participates in the Nevada Public Employees' Retirement System (PERS) may purchase coverage for themselves and dependents at the same premium rate which is charged to the School's active employees. Because retirees pay the same premium as active employees rather than a higher rate that would result from rating retirees as a separate insured group, the School incurs the cost of an implicit premium subsidy. The School has elected to pay the implicit cost of postemployment benefits on the *pay-as-you-go* basis. The School's contributions were \$-0- for FY 20.

Plan membership consisted of 29 active plan members as of June 30, 2020, the date of the School's initial actuarial valuation.

Retirees are not permitted to continue the School's medical coverage after becoming eligible for coverage under Medicare. It was assumed that no implicit liability exists for dental or vision benefits provided to retirees, or that it is insignificant.

Actuarial Methods and Assumptions

The School's net OPEB liability was measured as of June 30, 2020, using the following actuarial assumptions and other inputs applied to all periods included in the measurement, unless otherwise specified:

CARSON MONTESSORI CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Inflation	2.50%
Salary increases	3%
Discount rate	
As of June 30, 2019	2.79%
As of June 30, 2020	2.66%
Healthcare inflation	
Jan 1, 2021	4.90%
Jan 1, 2022	5.10%
Jan 1, 2023-2050	5.20%

Mortality rates used were those based on the June 30, 2019 report of Nevada PERS and were adjusted by applying the MacLeod Watts Scale 2020 on a generational basis from 2018 forward.

Sensitivity of the OPEB Liabilities to Changes in the Discount Rate and Healthcare Cost Trend Rate

The following presents the net OPEB liability of the School's plan, as well as what the liability would be if they were calculated using a discount rate that is 1% lower (1.21) or 1% higher (3.21%).

	1% Decrease in Discount Rate to 1.66%	Current Discount Rate 2.66%	1% Increase in Discount Rate to 3.66%
Net OPEB liability	\$ 47,306	\$ 42,347	\$ 37,859

The following presents the net OPEB liabilities of the District's Plan and PEBP, as well as what the liabilities would be if they were calculated using a 1% decrease and a 1% increase in the healthcare cost trend rate.

	1% Decrease in Current Trend	Current Trend	1% Increase in Current Trend
Net OPEB liability	\$ 35,255	\$ 42,347	\$ 51,077

CARSON MONTESSORI CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

OPEB Expense and Deferred Outflows of Resources and Inflows Related to OPEB

For the year ended June 30, 2020, the School recognized OPEB expense of \$8,714 and reported deferred outflows of resources of \$562.

Change in Net OPEB Liability

The following table depicts the School's changes in the net OPEB liability for the year ended June 30, 2020:

Balance, July 1, 2019	\$ 33,071
Changes for the Year:	
Service cost	7,534
Interest cost	1,133
Changes of assumptions	609
Benefit payments	-
Net Changes	<u>9,276</u>
Balance, June 30, 2020	<u>\$ 42,347</u>

Prior Period Adjustment for the OPEB Liability

A prior period adjustment was made to restate the June 30, 2019 net position by \$(33,071), which was the calculated OPEB liability as of that date. The OPEB liability was calculated and reported in the initial actuarial valuation dated December 2020.

NOTE 9 – 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.

NOTE 10 – NEW ACCOUNTING PRONOUNCEMENTS

In January 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. The School is currently evaluating the impact this standard will have

CARSON MONTESSORI CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

on the financial statements when adopted. The provisions of this statement are effective for the School's financial statements for the year ending June 30, 2021.

In June 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The School is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the School's financial statements for the year ending June 30, 2022.

NOTE 11 – COVID-19 PANDEMIC

In March 2020, the World Health Organization declared COVID-19 a global pandemic, resulting in far-reaching effects, including economic implications of a global reach. Closer to home, state-wide and local measures were enacted to contain the virus, including quarantines and closures of school campuses and the transition to alternative learning models, including part-time and full-time distance learning.

The School's future operations and business activities could be materially adversely affected by reductions in the level of funding and impacts to the timing of cash flows. Measures which may be taken to limit the spread of COVID-19 could also materially adversely affect significant estimates made by the School.

For the 2021 school year, the School is providing instructional formats that comply with state and local guidelines. Since March 2020, the School's response to the pandemic has included various safety measures designed to protect its students, employees, and community. Revisions and enhancements will continue to be made as the pandemic situation warrants.

CARSON MONTESSORI CHARTER SCHOOL

REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF SCHOOL'S PROPORTIONATE SHARE OF THE NPL
 (NET PENSION LIABILITY)
 PUBLIC EMPLOYEES' RETIREMENT SYSTEM OF NEVADA
 LAST TEN FISCAL YEARS*

Plan Year Ended	2019	2018	2017	2016	2015	2014
School's proportion of the Net Pension Liability	0.01862%	0.01764%	0.01706%	0.01538%	0.01347%	0.01220%
School's proportionate share of the Net Pension Liability	\$ 2,539,339	\$ 2,405,386	\$ 2,268,580	\$ 2,070,195	\$ 1,543,188	\$ 1,271,124
School's covered employee payroll	\$ 1,253,306	\$ 1,243,329	\$ 1,256,655	\$ 932,193	\$ 942,193	\$ 811,724
School's proportionate share of the Net Pension Liability as a percentage of its covered employee payroll	202.61%	193.46%	180.53%	222.08%	163.79%	156.60%
Plan fiduciary net position as a percentage of the Total Pension Liability	76.46%	75.23%	74.42%	72.20%	75.10%	76.30%

*GASB Statement No. 68 requires ten years of information to be presented. However, until a full 10 year trend is available, the School presents information for those years for which the information is available.

CARSON MONTESSORI CHARTER SCHOOL

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS
PUBLIC EMPLOYEES' RETIREMENT SYSTEM OF NEVADA
LAST TEN FISCAL YEARS*

	Determined for the Year Ended June 30,					
	2020	2019	2018	2017 <i>(As Restated)</i>	2016 <i>(As previously reported)</i>	2015
Statutorily required contribution	\$ 171,856	\$ 174,006	\$ 177,314	\$ 130,431	\$ 263,814	\$ 209,019
Contributions in relation to the statutorily required contribution	<u>171,856</u>	<u>174,006</u>	<u>177,314</u>	<u>130,431</u>	<u>263,814</u>	<u>209,019</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
School's covered employee payroll	\$ 1,253,306	\$ 1,243,329	\$ 1,256,655	\$ 924,386	\$ 942,193	\$ 811,725
Contributions as a percentage of covered employee payroll	13.71%	14.00%	14.11%	14.11%	28.00%	25.75%

*GASB Statement No. 68 requires ten years of information to be presented. However, until a full 10 year trend is available, the School presents information for those years for which the information is available.

CARSON MONTESSORI CHARTER SCHOOL

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES OF CHANGES IN NET OTHER POSTEMPLOYMENT BENEFITS LIABILITY AND RELATED RATIOS LAST TEN FISCAL YEARS*

	2020		
	School	PEBP	Total
Total OPEB Liability			
Service cost	\$ 7,534	\$ -	\$ 7,534
Interest	1,133	-	1,133
Changes in benefit terms	-	-	-
Differences between expected and actual experience	-	-	-
Changes in assumptions	609	-	609
Benefit payments	-	-	-
Net change in Total OPEB Liability	<u>9,276</u>	<u>-</u>	<u>9,276</u>
Total OPEB Liability, beginning	<u>33,071</u>	<u>-</u>	<u>33,071</u>
Total OPEB Liability, ending	<u>42,347</u>	<u>-</u>	<u>42,347</u>
Plan Fiduciary Net Position			
Employer contributions	-	-	-
Net investment income	-	-	-
Benefit payments	-	-	-
Net change in Plan Fiduciary Net Position	<u>-</u>	<u>-</u>	<u>-</u>
Plan Fiduciary Net Position, beginning	<u>-</u>	<u>-</u>	<u>-</u>
Plan Fiduciary Net Position, ending	<u>-</u>	<u>-</u>	<u>-</u>
School's Net OPEB Liability	<u>\$ 42,347</u>	<u>\$ -</u>	<u>\$ 42,347</u>
Covered payroll	<u>\$ 1,196,481</u>	N/A	N/A
School's Net OPEB Liability as a percentage of covered payroll	<u>3.54%</u>	N/A	N/A

*GASB Statement No. 75 requires ten years of information to be presented. However, until all 10 years of data is available the School presents information for those years for which the information is available.

CARSON MONTESSORI CHARTER SCHOOL

BUDGETARY COMPARISON SCHEDULE - GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2020

(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019)

	2020 BUDGET		2020		2019
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET	ACTUAL
REVENUES					
Local Sources:					
Investment income	\$ 1,100	\$ 1,220	\$ 1,281	\$ 61	\$ 1,983
Donations	250	5,100	6,299	1,199	1,113
Other	-	-	-	-	1,674
	1,350	6,320	7,580	1,260	4,770
State Sources:					
Distributive school account	1,886,389	2,250,000	2,335,109	85,109	2,318,258
Unrestricted grants	-	22,166	22,166	-	2,183
Restricted grants	-	45,676	50,573	4,897	-
Special Education funding		70,000	71,339	1,339	73,780
	1,886,389	2,387,842	2,479,187	91,345	2,394,221
Federal Sources:					
E-rate funds	1,260	-	2,520	2,520	-
Federal grants	-	15,000	24,559	9,559	27,708
	1,260	15,000	27,079	12,079	27,708
Total Revenues	1,888,999	2,409,162	2,513,846	104,684	2,426,699
EXPENDITURES					
Regular Programs					
Instruction:					
Salaries	942,524	890,550	881,252	9,298	935,969
Benefits	514,692	482,461	479,900	2,561	471,849
Purchased services	500	10,932	8,774	2,158	467
Supplies	30,000	30,500	24,951	5,549	31,606
	1,487,716	1,414,443	1,394,877	19,566	1,439,891
Student Transportation:					
Salaries	5,000	2,000	1,943	57	4,715
Benefits	500	444	161	283	390
Purchased services	2,000	700	673	27	2,259
Supplies	600	135	133	2	714
	8,100	3,279	2,910	369	8,078

Continued on next page.

CARSON MONTESSORI CHARTER SCHOOL

BUDGETARY COMPARISON SCHEDULE - GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2020

(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019)

	2020 BUDGET		2020		2019
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET	ACTUAL
Other Support Services:					
Salaries	\$ 267,858	\$ 270,344	\$ 267,255	\$ 3,089	\$ 285,799
Benefits	125,941	132,173	128,157	4,016	133,441
Purchased services	338,413	386,316	364,115	22,201	356,038
Supplies	45,000	32,850	28,207	4,643	32,287
	<u>777,212</u>	<u>821,683</u>	<u>787,734</u>	<u>33,949</u>	<u>807,565</u>
Total Regular Programs	<u>2,273,028</u>	<u>2,239,405</u>	<u>2,185,521</u>	<u>53,884</u>	<u>2,255,534</u>
Special Programs					
Instruction:					
Salaries	57,136	102,944	102,856	88	55,472
Benefits	37,156	56,718	56,586	132	35,545
Purchased services	22,525	32,072	32,056	16	25,235
Supplies	400	2,753	2,775	(22)	56
	<u>117,217</u>	<u>194,487</u>	<u>194,273</u>	<u>214</u>	<u>116,308</u>
Food Service					
Supplies	<u>2,000</u>	<u>1,827</u>	<u>1,826</u>	<u>1</u>	<u>-</u>
Facilities Acquisition and Construction					
Purchased services	-	73,615	69,999	3,616	-
Supplies	-	2,867	-	2,867	-
	<u>-</u>	<u>76,482</u>	<u>69,999</u>	<u>6,483</u>	<u>-</u>
Contingency	<u>-</u>	<u>39,500</u>	<u>-</u>	<u>39,500</u>	<u>-</u>
Total Expenditures	<u>2,392,245</u>	<u>2,551,701</u>	<u>2,451,619</u>	<u>100,082</u>	<u>2,371,842</u>
Net Change in Fund Balance	(503,246)	(142,539)	62,227	204,766	54,857
FUND BALANCE, July 1,	<u>1,059,335</u>	<u>1,059,335</u>	<u>1,075,535</u>	<u>16,200</u>	<u>1,020,678</u>
FUND BALANCE, June 30,	<u>\$ 556,089</u>	<u>\$ 916,796</u>	<u>\$ 1,137,762</u>	<u>\$ 220,966</u>	<u>\$ 1,075,535</u>



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

To the Board of Trustees
Carson Montessori Charter School
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, each major fund, and the aggregate remaining fund information of the Carson Montessori Charter School (a Political Subdivision of the State of Nevada) (the School) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated December 15, 2020.

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.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Silva Scerifone & Assoc, LLC

Reno, Nevada
December 15, 2020



CARSON MONTESSORI CHARTER SCHOOL

INDEPENDENT AUDITORS' COMMENTS

JUNE 30, 2020

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

No potential violations were reported in the financial statements for the year ended June 30, 2019.

AUDIT RECOMMENDATIONS

Current Year

There are no recommendations of the magnitude for inclusion in this report as of or for the year ended June 30, 2020.

Prior Year

There were no recommendations of the magnitude for inclusion in the report as of or for the year ended June 30, 2019.