

CARSON MONTESSORI SCHOOL

*Financial Statements and
Supplementary Information*

June 30, 2018

CARSON MONTESSORI SCHOOL

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INDEPENDENT AUDITORS' REPORT

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

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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.

Basis for Qualified Opinion on Governmental Activities

Management has not obtained an actuarial valuation necessary for the implementation of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*, which became effective as of July 1, 2017. The amount by which this departure would affect the assets, deferred outflows of resources, net position, and expenses of the governmental activities has not been determined.

Qualified Opinion

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinion on Governmental Activities” paragraph, 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 School as of June 30, 2018, 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.

Emphasis of Matter – Correction of an Error

As discussed in Note 9 to the financial statements, the District implemented Governmental Accounting Standards Board Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*. Our opinion is not modified with respect to this matter.

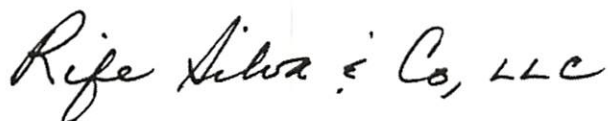
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management’s Discussion and Analysis, the required pension 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2018, 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.



Reno, Nevada
November 30, 2018

**CARSON MONTESSORI SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018**

As the administration of the Carson Montessori School, we offer readers of the School's financial statements this narrative overview and analysis of its financial activities for the fiscal year ended June 30, 2018. 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 implemented Governmental Accounting Standards Board (GASB) Statement No. 82, *Pension Issues*, during the year, which required a significant restatement of beginning net position. GASB No. 82 addressed certain issues raised subsequent to GASB 68, *Accounting and Financial Reporting for Pensions*. As a result of the implementation of this standard, beginning net position (deficit) was restated from the previously reported \$(271,604) to \$(402,363). See pages 6-7 for further discussion of this accounting pronouncement.

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.

**CARSON MONTESSORI SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018**

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

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

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.

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

**CARSON MONTESSORI SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018**

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 30.

Supplementary Information

The School's supplementary information is a comparison of its budgeted revenues and expenditures to the actual results achieved for the current fiscal year. The *Budgetary Comparison Schedule* can be found on pages 32-33. 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 *required supplementary information*, which is required by the Governmental Accounting Standards Board, relative to its participation in the Public Employees' Retirement Program in Nevada (PERS). This information can be found on pages 31-32.

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 \$598,774 as of June 30, 2018. The School's \$8,777 of its net position 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.

**CARSON MONTESSORI SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018**

Below is a summary of the School's net position (deficit) for 2018 compared to 2017:

CARSON MONTESSORI SCHOOL NET POSITION (DEFICIT)				
	2018	2017 **	Change	
			\$	%
Assets				
Current assets	\$1,275,290	\$1,425,421	\$ (150,131)	-10.5%
Net capital assets and other	25,630	22,872	2,758	12.1%
Total Assets	1,300,920	1,448,293	(147,373)	-10.2%
Deferred Outflows of Resources	789,341	810,090	(20,749)	-2.6%
Total Assets and Deferred Outflows	2,090,261	2,258,383	(168,122)	-7.4%
Liabilities				
Current liabilities	207,898	258,482	(50,584)	-19.6%
Non-current liabilities	2,332,272	2,132,879	199,393	9.3%
Total Liabilities	2,540,170	2,391,361	148,809	6.2%
Deferred Inflows of Resources	148,865	138,626	10,239	7.4%
Total Liabilities and Deferred Inflows	2,689,035	2,529,987	159,048	6.3%
Net Position (Deficit)				
Net investment in capital assets	8,777	11,130	(2,353)	-21.1%
Unrestricted	(607,551)	(282,734)	(324,817)	-114.9%
Total Net Position (Deficit)	<u>\$ (598,774)</u>	<u>\$ (271,604)</u>	<u>\$ (327,170)</u>	<u>-120.5%</u>
** As originally presented.				

A case could be made that the largest impact on the School's financial statement in 2018 had absolutely 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 \$2,268,580. 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. The resulting net position would be \$1,029,330, which is \$1,628,104 more than the net position (deficit) reported.

**CARSON MONTESSORI SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018**

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 SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018**

The changes in the School's net position for the years ended June 30, 2018 and 2017 are presented below:

CARSON MONTESSORI SCHOOL CHANGES IN NET POSITION				
	2018	2017 **	Change	
			\$	%
Revenues:				
State aid	\$ 2,118,036	\$ 2,116,628	\$ 1,408	0.1%
Federal aid	105,771	-	105,771	-
Interest income	1,221	1,192	29	2.4%
Other	8,114	97,089	(88,975)	-91.6%
Total Revenues	<u>2,233,142</u>	<u>2,214,909</u>	<u>18,233</u>	<u>0.8%</u>
Expenses:				
Instruction	1,574,777	1,610,400	(35,623)	-2.2%
Support services	852,423	773,463	78,960	10.2%
Depreciation	<u>2,353</u>	<u>2,353</u>	<u>-</u>	<u>0.0%</u>
Total Expenses	<u>2,429,553</u>	<u>2,386,216</u>	<u>43,337</u>	<u>1.8%</u>
Change in Net Position	<u>\$ (196,411)</u>	<u>\$ (171,307)</u>	<u>(25,104)</u>	<u>14.7%</u>
** As originally presented.				

BUDGETARY HIGHLIGHTS

The School's actual results compared to its budgeted June 30, 2018 results are presented in the accompanying "Budgetary Comparison Schedule", which can be found on pages 33-34. There were no reported overexpenditures of the budgeted amounts during the year.

**CARSON MONTESSORI SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The School's capital assets consist of classroom, computer, playground, and 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 employees as well as an estimate of the future obligation for postemployment healthcare benefits and employee pensions (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, 2018 General Fund balance towards this end.

REQUESTS FOR INFORMATION

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

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CARSON MONTESSORI SCHOOL

STATEMENT OF NET POSITION (DEFICIT)

JUNE 30, 2018

ASSETS

Cash	\$ 1,155,801
Due from other governments	119,489
Other receivables	5,111
Capital assets, net	8,777
Other assets	11,742
Total Assets	<u>1,300,920</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows related to pensions	<u>789,341</u>
Total Assets and Deferred Outflows	<u>2,090,261</u>

LIABILITIES

Accounts payable and accrued liabilities	207,898
Accrued compensated absences	30,192
Obligation for other postemployment benefits	33,500
Net pension liability	<u>2,268,580</u>
Total Liabilities	2,540,170

DEFERRED INFLOWS OF RESOURCES

Deferred inflows related to pensions	<u>148,865</u>
Total Liabilities and Deferred Inflows	<u>2,689,035</u>

NET POSITION (DEFICIT)

Net investment in capital assets	8,777
Unrestricted	<u>(607,551)</u>
Total Net Position (Deficit)	<u>\$ (598,774)</u>

See accompanying notes.

CARSON MONTESSORI SCHOOL

STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2018

GOVERNMENTAL ACTIVITIES FUNCTIONS / PROGRAMS	PROGRAM REVENUES			NET (EXPENSES) REVENUES AND CHANGES IN NET POSITION
	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	
Regular programs instruction	\$ 1,447,753	\$ 4,128	\$ -	\$ (1,443,625)
Special programs instruction	127,024	103,825	-	(23,199)
Total Instruction	1,574,777	107,953	-	(1,466,824)
Support services	852,423	-	-	(852,423)
Depreciation	2,353	-	-	(2,353)
	854,776	-	-	(854,776)
Total Governmental Activities	\$ 2,429,553	\$ 107,953	\$ -	\$ (2,321,600)
General Revenues				
State aid, unrestricted				2,118,036
Investment earnings				1,221
Miscellaneous revenue				5,932
Total General Revenues				2,125,189
Change in Net Position				(196,411)
NET POSITION (DEFICIT), July 1, 2017, as previously stated				(271,604)
PRIOR PERIOD ADJUSTMENT				(130,759)
NET POSITION (DEFICIT), July 1, 2017, as restated				(402,363)
NET POSITION (DEFICIT), June 30, 2018 <i>See accompanying notes.</i>				\$ (598,774)

CARSON MONTESSORI SCHOOL

BALANCE SHEET - GOVERNMENTAL FUNDS JUNE 30, 2018

	GENERAL FUND	SPECIAL EDUCATION FUND	TOTAL
ASSETS			
Cash	\$ 1,155,801	-	\$ 1,155,801
Due from other funds	62,870	-	62,870
Due from other governments	48,216	71,273	119,489
Other receivables	5,111	-	5,111
Deposits	11,742	-	11,742
Total Assets	<u>\$ 1,283,740</u>	<u>\$ 71,273</u>	<u>\$ 1,355,013</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 199,495	\$ 8,403	\$ 207,898
Due to other funds	-	62,870	62,870
Total Liabilities	<u>199,495</u>	<u>71,273</u>	<u>270,768</u>
FUND BALANCE			
Assigned			
Relocation and building improvements	345,000	-	345,000
Unassigned	739,245	-	739,245
Total Fund Balance	<u>1,084,245</u>	<u>-</u>	<u>1,084,245</u>
Total Liabilities and Fund Balance	<u>\$ 1,283,740</u>	<u>\$ 71,273</u>	<u>\$ 1,355,013</u>

See accompanying notes.

CARSON MONTESSORI SCHOOL

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION (DEFICIT) JUNE 30, 2018

Fund Balance - Governmental Funds \$ 1,084,245

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	92,411	
Less accumulated depreciation	<u>(83,634)</u>	8,777

Deferred outflows related to pension, including payments made subsequent to the measurement date. 789,341

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

Compensated absences	(30,192)	
Obligation for other postemployment benefits	(33,500)	
Pension liability	<u>(2,268,580)</u>	(2,332,272)

Deferred inflows related to pension investment returns and changes in assumptions are not reported in the governmental funds. (148,865)

Net Position (Deficit) - Governmental Activities \$ (598,774)

See accompanying notes.

CARSON MONTESSORI SCHOOL

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS YEAR ENDED JUNE 30, 2018

	GENERAL FUND	SPECIAL EDUCATION FUND	TOTAL
REVENUES			
Local sources	\$ 9,335	\$ -	\$ 9,335
State sources	2,118,036	49,679	2,167,715
Federal sources	1,946	54,146	56,092
Total Revenues	2,129,317	103,825	2,233,142
EXPENDITURES			
Regular programs	2,205,531	-	2,205,531
Special programs	-	122,047	122,047
Total Expenditures	2,205,531	122,047	2,327,578
Revenues Over (Under) Expenditures	(76,214)	(18,222)	(94,436)
Transfers from (to) other fund	(18,222)	18,222	-
Net Change in Fund Balance	(94,436)	-	(94,436)
FUND BALANCE, July 1, 2017	1,178,681	-	1,178,681
FUND BALANCE, June 30, 2018	\$ 1,084,245	\$ -	\$ 1,084,245

See accompanying notes.

CARSON MONTESSORI SCHOOL

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2018

Net Change in Fund Balances - Governmental Funds	\$ (94,436)
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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.	(2,353)
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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.	(1,008)
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Change in pension expense related to deferred items.	<u>(98,614)</u>
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Change in Net Position (Deficit) - Governmental Activities	<u>\$ (196,411)</u>
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See accompanying notes.

CARSON MONTESSORI SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Carson Montessori 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 was organized to operate a public charter school sponsored by the Carson City School School, 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 SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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 SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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 SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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, as discussed in Note 7.

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. Special Education funds received in advance of the year for which they are intended to finance have been recorded as deferred inflows of resources on the Statement of Net Position and Balance Sheet. In addition, 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 33 – 34.

Deposits

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

CARSON MONTESSORI SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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 year. If purchased or constructed, all capital assets are recorded at historical cost or estimated historical cost. Donated capital assets are valued at their estimated fair value as of the date of donation. The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's life are not capitalized.

Capital assets are depreciated using the straight-line method over estimated useful lives of 5 – 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, 2018, 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 termination or retirement.

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 SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 3 – CASH

The School's cash balances as of June 30, 2017 were \$1,208,516, which were held in various institutions. Bank deposits are generally covered by FDIC insurance and are collateralized by the Office of the State Treasurer. The uninsured bank balances as of June 30, 2018 of \$708,516 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, 2018, 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.

CARSON MONTESSORI SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Management has assigned \$345,000 of the June 30, 2018 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, 2018 is shown below:

Governmental Activities:	Balance July 1, 2017	Increases (Decreases)	Balance June 30, 2018
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	-	6,360
	92,411	-	92,411
Less accumulated depreciation	81,281	2,353	83,634
Capital Assets, net	<u>\$ 11,130</u>	<u>\$ (2,353)</u>	<u>\$ 8,777</u>

Depreciation expense of \$2,353 for the year ended June 30, 2018 has not been allocated to the School's functions/programs.

CARSON MONTESSORI SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 6 – OPERATING LEASES

The School's principal facilities are leased under the terms of cancellable lease contracts through July 31, 2019 and December 31, 2019, respectively. Rental expense under the lease contracts was \$166,632 for the year ended June 30, 2018. The minimum rental expense under the existing leases as of June 30, 2018 is expected to be \$163,344 for the fiscal year ending June 30, 2019.

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.

CARSON MONTESSORI SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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 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.

The School's contributions to the Plan were \$177,314 and \$130,431 (restated) for the years ended June 30, 2018 and 2017.

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.

CARSON MONTESSORI SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

The following was the PERS Board's adopted policy target asset allocation as of June 30, 2017:

<u>Investment Category</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic Equity	42%	5.50%
Private Markets	10%	6.80%
International Equity	18%	5.75%
Domestic Fixed Income	30%	0.25%
Total	100%	

Net Pension Liability

At June 30, 2018, the School reported a liability of \$2,268,580 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School's proportion of the net pension liability was based on 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, 2017, the School's proportion of the regular plan was .0170572%, compared to its .015384% proportion measured as of June 30, 2016.

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	\$ 3,429,461	\$ 2,268,580	\$ 1,304,452

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 SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Actuarial Assumptions

The System's net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	7.5% per year.
Salary increases	4.25% to 9.15% depending on service.
Inflation rate	2.75% per year.
Payroll growth	5.00% per year, including inflation.
Productivity pay increase	0.50%
Consumer Price Index	2.75%
Other assumptions	Same as those used in the June 30, 2017 funding actuarial valuation.

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

The discount rate used to measure the total pension liability was 7.50%. 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.

Changes in assumptions include changes in the inflation rate and Consumer Price Index from 3.5% to 2.75%; change in the investment rate of return from 8.00% to 7.50%; change in the productivity pay increase from 0.75% to 0.50%; and, changes in projected salary increases. Lastly, the mortality rates are now based on the Headcount-Weighted RP-2014 Mortality Tables rather than the RP-2000 Mortality Tables.

CARSON MONTESSORI SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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

For the year ended June 30, 2018, the School recognized pension expense of \$267,628. As of June 30, 2018, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 148,865
Changes in assumptions	150,499	
Net difference between projected and actual earnings on pension plan assets	14,730	-
Changes in proportion and differences between the School's contributions and proportionate share of contributions	446,798	-
The School's contributions subsequent to the measurement date	177,314	-
	<u>\$ 789,341</u>	<u>\$ 148,865</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, 2019. 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
2019	\$ 72,482
2020	72,482
2021	72,482
2022	72,482
2023	72,482
Thereafter	100,752
	<u>\$ 463,162</u>

CARSON MONTESSORI SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 8 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

While the School previously adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, it has not adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. As such, the following disclosures are not in accordance with generally accepted accounting principles.

Plan Description and Funding Policy

The School pays 100% of the cost of certain health insurance benefits for eligible employees. The School is afforded a unique opportunity to provide health insurance to its employees through participation in the Carson City School School group health plan, a single-employer defined benefit healthcare plan. A separate financial report was not issued for the plan.

Any retiree previously covered by the group health insurance plan may elect to continue coverage for themselves and dependents, but must pay the full cost of the premiums. 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.

Actuarial Methods and Assumptions

Carson Montessori School meets the requirements of and has elected to base its reported actuarial information on measurements calculated in accordance with the Alternative Measurement Method (AMM) provided in GASB Statement 45. Significant assumptions and estimates were made in applying the AMM, including healthcare cost trend rates, marital and dependency status, use of health insurance premiums, coverage options, expected point at which benefits begin, and mortality. In the June 30, 2012 valuation, the unit credit cost method was used, and the unfunded actuarial accrued liability is being amortized as a level dollar amount. The valuation involves estimates of the value of reported amounts and assumptions about the probability of events far into the future, and such amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

CARSON MONTESSORI SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Annual OPEB Cost and Net OPEB Obligation

The School's annual OPEB cost is calculated based on the annual required contribution (ARC), an amount calculated in accordance with the Alternative Measurement Method, as discussed above. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The required schedule of funding progress immediately following the notes to the financial statements will present multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. As this is the third year of reporting the OPEB obligation and cost, only three years are presented.

The School did not recognize an annual OPEB cost for the year ended June 30, 2018 in accordance with generally accepted accounting principles; however an estimated net OPEB obligation for the healthcare benefits of \$33,500 as of June 30, 2018 has been reported in the government-wide Statement of Net Position.

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 – PRIOR PERIOD ADJUSTMENT / ADOPTION OF GASB STATEMENT NO. 82

During 2018, the School identified amounts in the June 30, 2017 financial statements related to certain contribution payments which according to GASB Statement No. 82, *Pension Issues – an Amendment of GASB Statements No. 67, No. 68, and No. 73*, are deemed to be in satisfaction of employee contribution requirements. The Public Employee's Retirement System of Nevada (PERS) provided Nevada governments with a restated Schedule of Employer Allocations for GASB 82 Implementation, which sets forth the amounts to determine the previous overstatement of the balances reported for deferred outflows of resources and net pension liability-related amounts as of June 30, 2017. As a result, the School restated its June 30, 2017 net position (deficit) from the previously reported \$(271,604) to \$(402,363).

CARSON MONTESSORI SCHOOL

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

Plan Year Ended	2017	2016	2015	2014
District's proportion of the Net Pension Liability	0.01706%	0.01538%	0.01347%	0.01220%
District's proportionate share of the Net Pension Liability	\$ 2,268,580	\$ 2,070,195	\$ 1,543,188	\$ 1,271,124
District's covered employee payroll	\$ 1,256,655	\$ 932,193	\$ 942,193	\$ 811,724
District's proportionate share of the Net Pension Liability as a percentage of its covered employee payroll	180.53%	222.08%	163.79%	156.60%
Plan fiduciary net position as a percentage of the Total Pension Liability	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 District presents information for those years for which the information is available.

CARSON MONTESSORI SCHOOL

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

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CARSON MONTESSORI SCHOOL

BUDGETARY COMPARISON SCHEDULE - GOVERNMENTAL FUNDS YEAR ENDED JUNE 30, 2018

(Page 1 of 2)

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET
REVENUES				
Local sources	\$ 1,300	\$ 2,550	\$ 9,335	\$ 6,785
State sources	2,063,832	2,179,414	2,167,715	(11,699)
Federal sources	51,928	56,092	56,092	-
Total Revenues	2,117,060	2,238,056	2,233,142	(4,914)
EXPENDITURES				
Regular Programs				
Instruction:				
Salaries	746,161	905,076	895,063	10,013
Benefits	399,832	486,246	443,681	42,565
Purchased services	-	3,765	6,186	(2,421)
Supplies	76,555	30,862	29,726	1,136
Other	-	-	369	(369)
	1,222,548	1,425,949	1,375,025	50,924
Support Services:				
Salaries	243,041	288,899	268,771	20,128
Benefits	112,134	135,052	124,349	10,703
Purchased services	386,793	373,564	387,041	(13,477)
Supplies	34,568	47,874	50,345	(2,471)
Other	276	-	-	-
	776,812	845,389	830,506	14,883
Total Regular Programs	1,999,360	2,271,338	2,205,531	65,807
Special Programs				
Instruction:				
Salaries	47,772	102,690	61,202	41,488
Benefits	21,301	34,420	38,148	(3,728)
Purchased services	27,000	29,179	22,697	6,482
Supplies	673	400	-	400
	96,746	166,689	122,047	44,642

CARSON MONTESSORI SCHOOL

BUDGETARY COMPARISON SCHEDULE - GOVERNMENTAL FUNDS YEAR ENDED JUNE 30, 2018

(Page 2 of 2)

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET
Other Instructional Programs				
Salaries	\$ 8,566	\$ 8,566	\$ -	\$ 8,566
Benefits	1,175	1,175	-	1,175
Supplies	1,000	1,000	-	1,000
	<u>10,741</u>	<u>10,741</u>	<u>-</u>	<u>10,741</u>
Undistributed Expenditures				
Land Acquisition:				
Property	<u>868,125</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>2,974,972</u>	<u>2,448,768</u>	<u>2,327,578</u>	<u>121,190</u>
Revenues Over (Under)				
Expenditures	(857,912)	(210,712)	(94,436)	116,276
OTHER FINANCING SOURCES				
Contingency	<u>(89,261)</u>	<u>(70,000)</u>	<u>-</u>	<u>70,000</u>
Net Change in Fund Balance	(947,173)	(280,712)	(94,436)	186,276
FUND BALANCE, July 1, 2017	<u>1,461,008</u>	<u>1,259,932</u>	<u>1,178,681</u>	<u>(81,251)</u>
FUND BALANCE, June 30, 2018	<u>\$ 513,835</u>	<u>\$ 979,220</u>	<u>\$ 1,084,245</u>	<u>\$ 105,025</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 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 School (the School) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated November 30, 2018.

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.

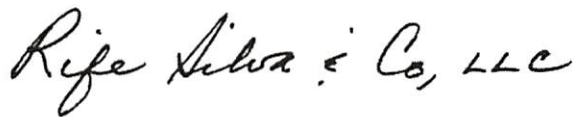
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

A handwritten signature in black ink that reads "Rife Silva & Co, LLC". The signature is written in a cursive, flowing style.

Reno, Nevada
November 30, 2018

CARSON MONTESSORI SCHOOL

INDEPENDENT AUDITORS' COMMENTS

JUNE 30, 2018

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

A potential violation due to an overexpenditure was reported in the financial statements for the year ended June 30, 2017.

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, 2018.

Prior Year

There were no recommendations of the magnitude for inclusion in the report as of or for the year ended June 30, 2017.

CARSON MONTESSORI SCHOOL

SCHEDULE OF CASH FLOWS - GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2018

(As Required by the Nevada Department of Education)

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from State aid	\$ 2,164,631
Receipts from Federal aid	36,653
Receipts from miscellaneous sources	8,114
Payments to employees	(1,255,616)
Payments for employee benefits and taxes	(622,033)
Payments to vendors	(500,513)
	<hr/>
	(168,764)

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received	<hr/>
	1,221

Net Increase (Decrease) in Cash	(167,543)
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CASH, July 1, 2017	<hr/>
	1,323,342

CASH, June 30, 2018	<hr/> <hr/>
	\$ 1,155,799

See accompanying notes.