

**BAILEY CHARTER ELEMENTARY SCHOOL**

*Financial Statements and  
Supplementary Information*

**June 30, 2021**



**SILVA, SCEIRINE**  
& ASSOCIATES, LLC  
CERTIFIED PUBLIC ACCOUNTANTS

# BAILEY CHARTER ELEMENTARY SCHOOL

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## **INDEPENDENT AUDITORS' REPORT**

To the Members of the Board  
Bailey Charter Elementary School  
Reno, Nevada

We have audited the accompanying financial statements of the governmental activities, each major fund, and aggregate remaining fund information, of Bailey Charter Elementary School, Reno, Nevada (the School) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

## Summary of Opinions

Opinion Unit	Type of Opinion
Governmental Activities	Qualified
Major Funds - General Fund and School Grants Fund	Unmodified
Aggregate Remaining Fund Information – Student Activity Fund	Qualified

### Basis for Qualified Opinion on Governmental Activities

Management has not implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and has not calculated whether any other postemployment benefit (OPEB) liability is necessary to be accrued. Accounting principles generally accepted in the United States of America require that an OPEB liability be provided, which could increase deferred outflows, liabilities, deferred inflows, net position, and expenses in the governmental activities. The amount by which this departure would affect the deferred outflows, liabilities, deferred inflows, net position, and expenses has not been determined.

### Basis for Qualified Opinion on Aggregate Remaining Fund Information

Accounting principles generally accepted in the United States of America require that when student activity funds meet the criteria of the School's involvement, the student activity funds must be reported as special revenue funds, in accordance with the provisions of Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*, effective as of July 1, 2020. Due to certain personnel limitations of the School during the year ended June 30, 2021, the various steps necessary to effectuate the proper reporting of the student activity funds in a special revenue fund were not completed as of June 30, 2021. Accordingly, the student activity funds are reported as agency funds within the fiduciary fund type category.

The amount by which this departure affects the aggregate remaining fund information is an overstatement of assets by \$24,277 and an overstatement of liabilities by \$24,277, resulting in no effect on the net position of the aggregate remaining fund information as of June 30, 2021.

### Qualified Opinion

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion on Governmental Activities" and the matter described in the "Basis for Qualified Opinion on Aggregate Remaining Fund Information" paragraphs, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the aggregate remaining fund information of Bailey Charter Elementary School as of June 30, 2021, and the respective changes in financial position thereof and for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund of Bailey Charter Elementary School as of June 30, 2021, and the respective changes in financial position of each major fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, pension information, 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, 2020 and have issued our report thereon dated February 18, 2021, which expressed a qualified opinion on the respective financial statements of the governmental activities, and an unmodified opinion on each major fund. The summarized comparative information presented in the basic financial statements as of and for the year ended June 30, 2020, 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 March 22, 2022, 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 Scirone & Assoc, LLC*

Reno, Nevada  
March 22, 2022



**BAILEY CHARTER ELEMENTARY SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2021**

As the administration of the Bailey Charter Elementary School (the 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, 2021. 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 as of June 30, 2021 was \$699,611, which represents an improvement of \$932,180 over the prior year net deficit of (\$232,569).
- The General Fund had a fund balance of \$914,568 as of June 30, 2021, which represents an increase of \$516,875 or nearly 130% over the prior year fund balance of \$397,692.

**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 Bailey Charter Elementary 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 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.

**BAILEY CHARTER ELEMENTARY SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2021**

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 12 and 13 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, the Special Education Fund, and the School Activity Agency Fund.

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 the balances left at year-end available for spending in future periods. 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 15 and 18.

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
- School Grants Fund

**BAILEY CHARTER ELEMENTARY SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2021**

These funds are disclosed separately in the Governmental Funds Balance Sheet (page 14) and the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances (page 16).

The School also uses a fiduciary fund, the Student Activity Agency Fund, to account for receipts and payments related to extra-curricular activities of the School's students. These amounts are reported separately from the governmental funds on page 19.

*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 20 through 36.

*Required Supplementary Information*

The School's required supplementary information includes 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 page 39. The School combines its General and School Grants 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). This information can be found on pages 37-38.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, the change in 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 \$699,611 as of June 30, 2021, which is an improvement of \$932,180 compared to the deficit of (\$232,569) as of June 30, 2020. Included in the School's net position is \$2,096,217, reflecting its investment in capital assets (e.g. buildings, improvements, furniture and equipment) net of related mortgages. These capital assets are used to provide educational services to its students; consequently, they are not available for future spending.



**BAILEY CHARTER ELEMENTARY SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2021**

Below is a summary of the School's net position for 2021 compared to 2020:

<b>BAILEY CHARTER ELEMENTARY SCHOOL NET POSITION (DEFICIT)</b>			
	<b>2021</b>	<b>2020</b>	<b>Change</b>
<b>Assets</b>			
Current assets and other	\$ 989,468	\$ 477,278	\$ 512,190
Net capital assets	<u>2,997,691</u>	<u>2,782,048</u>	<u>215,643</u>
Total Assets	3,987,159	3,259,326	727,833
<b>Deferred Outflows of Resources</b>			
	<u>408,239</u>	<u>600,995</u>	<u>(192,756)</u>
Total Assets and Deferred Outflows	4,395,398	3,860,321	535,077
<b>Liabilities</b>			
Current liabilities	74,900	79,586	(4,686)
Non-current liabilities	<u>3,197,115</u>	<u>3,591,027</u>	<u>(393,912)</u>
Total Liabilities	3,272,015	3,670,613	(398,598)
<b>Deferred Inflows of Resources</b>			
	<u>423,772</u>	<u>422,277</u>	<u>1,495</u>
Total Liabilities and Deferred Inflows	3,695,787	4,092,890	(397,103)
<b>Net Position (Deficit)</b>			
Net investment in capital assets	2,096,217	1,579,986	516,231
Unrestricted (Deficit)	<u>(1,396,606)</u>	<u>(1,812,555)</u>	<u>415,949</u>
Total Net Position (Deficit)	<u>\$ 699,611</u>	<u>\$ (232,569)</u>	<u>\$ 932,180</u>

A case could be made that the largest impact on the School's financial statement in 2021 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 and related deferred outflows and inflows of \$2,311,173. 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

**BAILEY CHARTER ELEMENTARY SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2021**

outflows related to pensions. The resulting net position would be \$3,010,784, which is \$2,311,173 more than the net position reported.

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 benefit promise is a present obligation of the School – part of a bargained-for-benefit to the employee and should accordingly be reported by the School 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 biennially. 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 system against the public employer.

Most long-term liabilities have set repayment schedules. There is no repayment schedule for the pension liabilities. Changes in pension contribution rates, and return on investments affect the balance of the pension liability, but are outside the control of the School. 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.

**BAILEY CHARTER ELEMENTARY SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2021**

The changes in the School's net position for the years ended June 30, 2021 and 2020 are presented below:

<b>BAILEY CHARTER ELEMENTARY SCHOOL CHANGES IN NET POSITION</b>	<b>2021</b>	<b>2020</b>	<b>Change</b>
<b>Revenues:</b>			
Program revenue:			
Operating grants	\$ 863,770	\$ 497,861	\$ 365,909
General revenue:			
State funding	2,036,805	2,056,533	(19,728)
Investment earnings	256	170	86
Other income local sources	<u>929</u>	<u>2,475</u>	<u>(1,546)</u>
Total Revenues	<u>2,901,760</u>	<u>2,557,039</u>	<u>344,721</u>
<b>Expenses:</b>			
Instruction	1,409,766	1,681,729	(271,963)
Support services	<u>559,814</u>	<u>619,182</u>	<u>(59,368)</u>
Total Expenses	<u>1,969,580</u>	<u>2,300,911</u>	<u>(331,331)</u>
Change in Net Position	<u>\$ 932,180</u>	<u>\$ 256,128</u>	<u>\$ 676,052</u>

The positive change in the overall financial position for the 2020-21 school year was due to several factors. An increase in COVID-19 related operating grants of \$365,909 and a decrease in expenses of \$331,329, primarily due to a decrease in overall spending, resulted in a \$932,180 improvement in net position. This net change significantly exceeded prior year, in spite of numerous challenges affecting the operation related to responding to the COVID-19 pandemic.

**BUDGETARY HIGHLIGHTS**

The School's actual results compared to its budgeted June 30, 2021 results are presented in the accompanying "Budgetary Comparison Schedule", which can be found on page 38. Over-expenditures of (\$154,117) in Capital Outlay have been disclosed in Note 2 to the financial

**BAILEY CHARTER ELEMENTARY SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2021**

statements. Revenues and Instruction expenditures were short of budget (\$17,654, \$286,443 respectively); thus, no net budget shortfall.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

*Capital Assets*

As of June 30, 2021, Bailey Charter Elementary School had total capital assets, net of accumulated depreciation of \$2,997,691, which includes land, buildings and related improvements, furniture and fixtures. Capital outlay in the School Grants Fund of \$432,830 was for new computer equipment and building improvements. Depreciation expense for the year was \$217,187. Additional detail can be found on page 29 of these statements.

*Debt Administration*

The School's long-term debt is comprised of a mortgage loan, secured by the school facility located at 210 Gentry Way in Reno, Nevada; and estimates of the future obligation of employee pensions (as discussed earlier in this document). Additional detail on non-current liabilities can be found beginning on page 29 of these statements.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

Bailey Charter Elementary School's major source of revenue is per-pupil funding from the State of Nevada. Bailey Charter Elementary School estimates enrollment based upon applications received and a projected late sign up before the start of the school year. The total amount of the funding is now based upon Average Daily Enrollment (ADE), a figure that is calculated and submitted to the state on a quarterly basis.

The academic focus remains on the core functions of teaching, learning, assessment and staff support. The Board of Directors and administration are focused on the School becoming more cost-effective and efficient by continually looking at how to reduce costs while prioritizing expenses to core academics. The majority of the School's expense is teachers' salaries. It is a goal that the School's teachers earn salaries in accordance with the Washoe County School District (WCSD) salary schedule. The Board of Directors and administration are focused on maintaining or improving existing staff benefits to remain competitive with other charter schools and the Washoe County School District, as well as making more technology resources available to students.

**BAILEY CHARTER ELEMENTARY SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2021**

**REQUESTS FOR INFORMATION**

This report is designed to provide an overview of the Bailey Charter Elementary 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 the School at 210 Gentry Way, Reno NV (775) 323-6767.

# BAILEY CHARTER ELEMENTARY SCHOOL

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## STATEMENT OF NET POSITION JUNE 30, 2021

	Governmental Activities
<b>ASSETS</b>	
Cash	\$ 683,588
Receivables	254,331
Prepaid expenses	51,549
Capital assets (not being depreciated)	288,925
Capital assets (net of accumulated depreciation)	2,708,766
<b>Total Assets</b>	<b>3,987,159</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to pensions	408,239
<b>Total Assets and Deferred Outflows</b>	<b>4,395,398</b>
<b>LIABILITIES</b>	
Accounts payable	58,306
Accrued payroll and benefits	2,618
Payable to Student Activity Fund	13,976
Non-current liabilities	
Notes and mortgages payable due within one year	289,995
Notes and mortgages payable due in more than one year	611,480
Net pension liability	2,295,640
<b>Total Liabilities</b>	<b>3,272,015</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows related to pensions	423,772
<b>Total Liabilities and Deferred Inflows</b>	<b>3,695,787</b>
<b>NET POSITION</b>	
Investment in capital assets, net of related debt	2,096,217
Unrestricted	(1,396,606)
<b>Total Net Position</b>	<b>\$ 699,611</b>

*See accompanying notes.*

# BAILEY CHARTER ELEMENTARY SCHOOL

## STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2021

GOVERNMENTAL ACTIVITIES FUNCTIONS / PROGRAMS	EXPENSES	PROGRAM REVENUES		NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION (DEFICIT)
		CHARGES FOR SERVICES	OPERATING GRANTS	
Regular programs	\$ 1,314,561	\$ -	\$ 843,343	\$ (471,218)
Special programs	95,205	-	20,427	(74,778)
Total Instruction	1,409,766	-	863,770	(545,996)
School administration	272,574	-	-	(272,574)
Food services	26,431	-	-	(26,431)
Central services	139,872	-	-	(139,872)
Operation and maintenance	120,937	-	-	(120,937)
Total Support	559,814	-	-	(559,814)
Total Governmental Activities	\$ 1,969,580	\$ -	\$ 863,770	(1,105,810)
<b>General Revenues</b>				
				2,036,805
				256
				929
				<u>2,037,990</u>
				932,180
				<u>(232,569)</u>
				<u>\$ 699,611</u>

See accompanying notes.

# BAILEY CHARTER ELEMENTARY SCHOOL

## BALANCE SHEET - GOVERNMENTAL FUNDS JUNE 30, 2021

	GENERAL FUND	SCHOOL GRANTS FUND	TOTAL
<b>ASSETS</b>			
Cash	\$ 683,588	\$ -	\$ 683,588
Due from other governments	-	254,331	254,331
Due from other fund	254,331	-	254,331
Prepaid expenses	51,549	-	51,549
Total Assets	<u>\$ 989,468</u>	<u>\$ 254,331</u>	<u>\$ 1,243,799</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 58,306	\$ -	\$ 58,306
Accrued payroll and benefits	2,618	-	2,618
Due to other fund	-	254,331	254,331
Payable to Student Activity Fund	13,976	-	13,976
Total Liabilities	<u>74,900</u>	<u>254,331</u>	<u>329,231</u>
<b>FUND BALANCES</b>			
Nonspendable	51,549	-	51,549
Unassigned	863,019	-	863,019
Total Fund Balance	<u>914,568</u>	<u>-</u>	<u>914,568</u>
Total Liabilities and Fund Balances	<u>\$ 989,468</u>	<u>\$ 254,331</u>	<u>\$ 1,243,799</u>

See accompanying notes.



# BAILEY CHARTER ELEMENTARY SCHOOL

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## RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION

JUNE 30, 2021

**Fund Balance - Governmental Funds** **\$ 914,568**

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

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

Governmental capital assets	\$ 4,138,934	
Less accumulated depreciation	<u>(1,141,243)</u>	2,997,691

Deferred outflows related to pension, including payments made subsequent to the measurement date are not reported in governmental funds. 408,239

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

Long term debt	(901,475)	
Net pension liability	<u>(2,295,640)</u>	(3,197,115)

Deferred inflows related to pension investment returns are not reported in the governmental funds:

Pension requirement		<u>(423,772)</u>
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**Net Position - Governmental Activities** **\$ 699,611**

*See accompanying notes.*

# BAILEY CHARTER ELEMENTARY SCHOOL

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS YEAR ENDED JUNE 30, 2021

	GENERAL FUND	SCHOOL GRANTS FUND	TOTAL
<b>REVENUES</b>			
Local sources	\$ 1,186	\$ -	\$ 1,186
State sources			
Distributive School Account	1,962,383	74,422	2,036,805
State grants	-	608,817	608,817
Federal sources	-	254,953	254,953
Total Revenues	<u>1,963,569</u>	<u>938,192</u>	<u>2,901,761</u>
<b>EXPENDITURES</b>			
Current			
Instruction			
Regular programs	641,483	354,965	996,448
Special programs	-	95,205	95,205
Total Instruction	<u>641,483</u>	<u>450,170</u>	<u>1,091,653</u>
Undistributed expenditures			
Support Services			
School administration	231,806	40,768	272,574
Food services	-	26,431	26,431
Central services	92,975	17,367	110,342
Operation and maintenance	114,348	6,590	120,938
Total Support Services	<u>439,129</u>	<u>91,156</u>	<u>530,285</u>
Capital Outlay	<u>36,909</u>	<u>395,921</u>	<u>432,830</u>
Debt Service			
Principal	300,587	-	300,587
Interest	29,530	-	29,530
Total Debt Service	<u>330,117</u>	<u>-</u>	<u>330,117</u>
Total Expenditures	<u>1,447,638</u>	<u>937,247</u>	<u>2,384,885</u>

*Continued on next page.*

*See accompanying notes.*

# BAILEY CHARTER ELEMENTARY SCHOOL

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## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS YEAR ENDED JUNE 30, 2021

	<u>GENERAL FUND</u>	<u>SCHOOL GRANTS FUND</u>	<u>TOTAL</u>
Excess of Revenue over Expenditures	<u>\$ 515,931</u>	<u>\$ 945</u>	<u>\$ 516,876</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	945	-	945
Transfers out	<u>-</u>	<u>(945)</u>	<u>(945)</u>
Total Other Financing Sources and (Uses)	<u>945</u>	<u>(945)</u>	<u>-</u>
Net Change in Fund Balance	516,876	-	516,876
<b>FUND BALANCE, July 1, 2020</b>	<u>397,692</u>	<u>-</u>	<u>397,692</u>
<b>FUND BALANCE, June 30, 2021</b>	<u><u>\$ 914,568</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 914,568</u></u>

*See accompanying notes.*

# BAILEY CHARTER ELEMENTARY SCHOOL

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## RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2021

**Net Change in Fund Balances - Governmental Funds** **\$ 516,876**

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.

Capital outlay	\$ 432,830	
Less current year depreciation expense	<u>(217,187)</u>	215,643

Repayment of long term debt and capital lease obligations are expenditures in the governmental funds, but repayment reduces long-term liabilities in the Statement of Net Position.

Repayment of debt		300,587
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The difference between the actuarial determined pension liability and actual contributions made increases pension expense in the Statement of Activities.

(100,926)

**Change in Net Position - Governmental Activities** **\$ 932,180**

*See accompanying notes.*

# BAILEY CHARTER ELEMENTARY SCHOOL

## STATEMENT OF CHANGES IN STUDENT ACTIVITY AGENCY FUND YEAR ENDED JUNE 30, 2021

	<u>BALANCE</u> <u>JULY 1, 2020</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE</u> <u>JUNE 30, 2021</u>
<b>REVENUES</b>				
Cash	\$ 13,435	\$ 656	\$ 3,790	\$ 10,301
Due from General Fund	10,338	3,638	-	13,976
Total Assets	<u>\$ 23,773</u>	<u>\$ 4,294</u>	<u>\$ 3,790</u>	<u>\$ 24,277</u>
<b>LIABILITIES</b>				
Due to students	\$ 23,773	\$ 3,281	\$ 3,790	\$ 23,264
Accounts payable	-	1,013	-	1,013
Total Liabilities	<u>\$ 23,773</u>	<u>\$ 4,294</u>	<u>\$ 3,790</u>	<u>\$ 24,277</u>

*See accompanying notes.*

# BAILEY CHARTER ELEMENTARY SCHOOL

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## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of Bailey Charter Elementary School, Reno, 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 Nevada nonprofit organization, originally incorporated in December 2013. It is organized to operate as a public charter school sponsored by Washoe County, under Nevada Revised Statutes (NRS) 386.500 to 386.610. It is a special purpose government as prescribed by the State of Nevada Department of Education.

The School's major operation is to provide a kindergarten and elementary educational alternative to at-risk youth who are economically or academically challenged or are members of a non-traditional family. The governing Board of Directors (Board), consisting of five to eleven members, is considered to be an independent body, as authorized by the Board of Trustees of the Washoe County School District. The Board of Directors 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.

# BAILEY CHARTER ELEMENTARY SCHOOL

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## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

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 general 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, contributions and investment earnings legally restricted to support a specific program. Program revenue must be directly associated with the function. Operating grants include operating-specific and discretionary grants. The net costs (by function) are normally covered by general revenue.

### **Basic Financial Statements – Fund Financial Statements**

The financial transactions of the School are reported in 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. 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 School's primary operating fund and accounts for all revenues and expenditures of the School not required by law or contractual agreement to be reported in another fund.

#### ***School Grants Fund***

The School Grants Fund is a special revenue fund that accounts for revenue sources and expenditures that are legally restricted to purposes as specified by grantors. Title I, Special Education revenue sources, and other state and local grants are included in this fund.

# BAILEY CHARTER ELEMENTARY SCHOOL

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## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

The school uses *Fiduciary Funds* to account for receipts and payments related to the extra-curricular activities of the School's students. These amounts are not the School's funds and are reported separate from the governmental activities of the School.

### **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.

#### ***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.



# BAILEY CHARTER ELEMENTARY SCHOOL

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## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

### *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.

### *Deferred Inflows/Outflows of Resources*

In addition to assets, the Statement of Net Position 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 9. 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 9.

### *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

# BAILEY CHARTER ELEMENTARY SCHOOL

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## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

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 the regulations found in the *Nevada Administrative Code*, Chapter 387, sections 715 through 740, which include the following major procedures to establish the budgetary data which is reflected in these financial statements:

1. Prior to April 15, the School's governing board (the Board) files a tentative budget with the Nevada Department of Education for the fiscal year beginning the following July 1. For all funds except Agency funds, the tentative budget includes proposed expenditures and the means of financing them.
2. During the second or third week of May, at a public hearing, the Board indicates changes, if any, to be made to the tentative budget and not later than June 8, adopts a final budget by the favorable vote of a majority of the Board's members.
3. On or before the following January 1, the Board adopts an amended final budget to reflect any adjustments necessary as a result of the complete count of students.
4. Appropriations may be transferred between functions, funds, or contingency accounts, if amounts do not exceed the original budget, subject to subsequent approval by the Board. Augmentations in excess of the original budget require approval from the Board.
5. Formal budgetary integration is employed as a management control device for the General Fund and the School Grants Fund; however, the School combines these funds into one reporting unit when preparing its legally-adopted annual budget.
6. Budgeted appropriations may not be exceeded by actual expenditures of the various functions in the budgeted governmental funds.
7. All budgets are adopted on a basis consistent with GAAP. The accompanying financial statements reflect the Original Budget and the Final Budget, which include the adjustments for legally authorized revisions made during the year. Appropriations, except encumbrances and unexpended grant appropriations, lapse at the end of each fiscal year.

# BAILEY CHARTER ELEMENTARY SCHOOL

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## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

### *Cash*

Cash includes demand deposits held in a commercial bank.

### *Interfund Receivables and Payables*

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "Due to or Due from other funds" in the fund financial statements. These amounts are eliminated in the Statement of Net Position.

### *Capital Assets*

Capital assets, which are comprised of furniture and equipment as well as land, buildings, and improvements to the real property, 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, 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 the following estimated useful lives:

Furniture and equipment	5-20 years
Buildings and improvements	10-20 years

### *Accrued Payroll and Benefits*

Accrued liabilities consist principally of teacher, administrator, and other School employee salaries and benefits for the school program year ended June 30, 2021, but which were not yet paid as of that date.

### *Income Taxes*

The School is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3) as a non-profit organization. Management annually reviews its tax positions, which are summarized as follows:

- The School has not engaged in activities that would jeopardize its tax-exempt status;

# BAILEY CHARTER ELEMENTARY SCHOOL

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## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

- The School has not engaged in any activities that would result in unrelated business income tax;
- The School has determined that there are no material uncertain tax positions that require recognition in the financial statements.

No provision for income taxes has been made in the accompanying financial statements and the School does not expect any material change in uncertain tax positions within the next twelve months.

### *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.

### *Comparative Data*

Comparative total data for the prior year has been provided on the budgetary comparison schedules to facilitate financial analysis. It is not considered full disclosure of transactions for fiscal year 2020. Such information can only be obtained by referring to the audited financial statements for that year.

## NOTE 2 – COMPLIANCE WITH NEVADA REVISED STATUTES

The following possible violations of NRS 354.626 with respect to expenditures in excess of appropriations were noted for the year ended June 30, 2021:

- Capital outlay \$154,117

Per NAC 387.735, a school may amend the budget by an augmentation of the appropriations of a fund if anticipated resources actually available during a budget period exceed those estimated. The School augmented state grants revenue by \$127,391 in excess of amounts received. This is a possible budget violation.

NRS 654.624(2)(a) requires that the audit be completed and submitted to the Board of Trustees not later than October 31<sup>st</sup> (four months after the end of the fiscal year). As provided for by NRS

# **BAILEY CHARTER ELEMENTARY SCHOOL**

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## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2021**

354.624(1), the School requested a 30-day extension for filing. The date of the auditors' opinion on these financial statements is March 22, 2022.

### **NOTE 3 – CASH**

The School's cash balances as of June 30, 2021 consists of two checking accounts and one savings account in one commercial bank. The Government-wide balance is \$683,588 and the Student Activity Fund balance is \$10,301. The accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to an aggregate of \$250,000 per institution. Amounts in excess of \$250,000 per institution are fully collateralized through the State of Nevada Pooled Collateral Program.

### **NOTE 4 – RECEIVABLES**

Accounts receivable consist of amounts due from the Nevada Department of Education for education funding for this fiscal year.

### **NOTE 5 – 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, 2021, no part of the School's net position is reported as restricted.

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

# BAILEY CHARTER ELEMENTARY SCHOOL

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## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

### **Fund Financial Statements**

Generally accepted accounting principles for governments require 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.

*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.

*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, in that order – as needed, unless the Board has provided for otherwise in its commitment or assignment actions.

# BAILEY CHARTER ELEMENTARY SCHOOL

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

### NOTE 6 – CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2021 is shown below:

	<u>Balance</u> <u>July 1, 2020</u>	<u>Increases</u> <u>(Decreases)</u>	<u>Balance</u> <u>June 30, 2021</u>
Nondepreciable capital assets			
Land	\$ 288,925	\$ -	\$ 288,925
Depreciable capital assets			
Buildings and improvements	2,825,577	296,450	3,122,027
Furniture and equipment	591,603	136,379	727,982
Total cost	3,417,180	432,829	3,850,009
Less: accumulated depreciation	924,056	217,187	1,141,243
Depreciable assets, net	2,493,124	215,642	2,708,766
Governmental Activities			
Capital assets net	\$ 2,782,049	\$ 215,642	\$ 2,997,691

Depreciation expense of \$217,187 for the year ended June 30, 2021 has been allocated to regular programs.

### NOTE 7 – NON-CURRENT LIABILITIES

The School has a mortgage secured by the land, building and improvements on Gentry Way in Reno, Nevada. The interest rate adjusts annually based on the Consumer Price Index, and any CPI adjustments may affect payment amounts and the ultimate maturity date. The effective interest rate for the year ended June 30, 2021 was 2.78%. Current payments, with CPI adjustments as required in the loan documents will pay the balance in full as of May 1, 2024 as reflected below.

The annual debt service requirements for the outstanding mortgage loan as of June 30, 2021 are as follows:

# BAILEY CHARTER ELEMENTARY SCHOOL

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021

Fiscal Years			Total
Ending	Principal	Interest	Requirements
2022	\$ 289,995	\$ 21,417	\$ 311,412
2023	297,893	13,519	311,412
2024	313,587	5,271	318,858
	<u>\$ 901,475</u>	<u>\$ 40,207</u>	<u>\$ 941,682</u>

Total interest paid on long-term debt for the year ended June 30, 2021 was \$29,332.

The following shows the changes in the School's long-term debt for the year ended June 30, 2021:

	Balance	Additions of	Retirements, Repayments	Balance	Due Within
	July 1, 2020	New Debt	and Reductions	June 30, 2021	One Year
Mortgages Payable	\$ 1,202,062	\$ -	\$ (300,587)	\$ 901,475	\$ 289,995
Net Pension Liability	2,388,965	-	(93,325)	2,295,640	-
Total non-current liabilities	<u>\$ 3,591,027</u>	<u>\$ -</u>	<u>\$ (393,912)</u>	<u>\$ 3,197,115</u>	<u>\$ 289,995</u>

### NOTE 8 – LEASES

The School leases three copy machines for \$366 per month through November 13, 2022. Additionally, the agreement provides for service and maintenance costs for an additional \$337 per month. Total rent expense, including the service and maintenance costs, was \$10,199 for the year ended June 30, 2021.

The following is a schedule of minimum lease payments as of June 30, 2021:

Years Ending	
June 30,	Amount
2022	\$ 8,428
2023	4,214



# BAILEY CHARTER ELEMENTARY SCHOOL

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## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

### NOTE 9 – 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

# **BAILEY CHARTER ELEMENTARY SCHOOL**

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## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2021**

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 five years of service, or at age 62 with ten 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 annual 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 (EE/ER) 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 required contribution rates for the year ended June 30, 2021 and June 30, 2020, were 15.25% for the EE/ER plan and 29.25% for the EPC plan. The School's contributions to the plans were \$131,896 and \$158,551 for the years ended June 30, 2021 and June 30 2020, 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, 2021:

# BAILEY CHARTER ELEMENTARY SCHOOL

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

Asset Class	Target Allocation	Long-Term Geometric Expected Real Rate of Return
U.S. Stocks	42%	5.50%
International Stocks	18%	5.50%
U.S. Bonds	28%	0.75%
Private Markets	12%	6.65%
	<u>100%</u>	

### Net Pension Liability

At June 30, 2021, the School reported a liability of \$2,295,640 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020 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, 2020, the School's proportion of the regular plan was .01648%, compared to its .01752% proportion measured as of June 30, 2019, a decrease of .00104.

### 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	<u>\$ 3,580,311</u>	<u>\$ 2,295,640</u>	<u>\$ 1,227,531</u>

### 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.

# BAILEY CHARTER ELEMENTARY SCHOOL

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## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

### Actuarial Assumptions

The System's net pension liability was measured as of June 30, 2020, 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, 2020 funding actuarial valuation.

Actuarial assumptions used in the June 30, 2020 valuation were based on the results of the experience study for the period July 1, 2012 through June 30, 2016, which was 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.

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

For the year ended June 30, 2021, the School recognized pension expense of \$232,822. As of June 30, 2021, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

# BAILEY CHARTER ELEMENTARY SCHOOL

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 71,324	\$ 29,642
Changes in assumptions	64,482	-
Net difference between projected and actual earnings on pension plan assets	-	86,720
Changes in proportion	140,537	307,410
The School's contributions subsequent to the measurement date	131,896	-
	<u>\$ 408,239</u>	<u>\$ 423,772</u>

The School's contributions subsequent to the measurement date were 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
2022	\$ (7,707)
2023	(10,376)
2024	(44,824)
2025	(52,758)
2026	(28,911)
2027	(2,853)
	<u>\$ (147,429)</u>

### NOTE 10 – 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.

# BAILEY CHARTER ELEMENTARY SCHOOL

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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	2020	2019	2018	2017	2016	2015	2014
School's portion of the Net Pension Liability		0.01648%	0.01752%	0.01958%	0.01966%	0.02448%	0.01589%	0.01391%
School's proportionate share of the Net Pension Liability		\$ 2,295,640	\$ 2,388,965	\$ 2,669,659	\$ 2,614,251	\$ 2,594,599	\$ 1,820,448	\$ 1,449,438
School's covered payroll		\$ 907,305	\$ 1,078,413	\$ 1,319,945	\$ 1,249,981	\$ 1,193,199	\$ 955,937	\$ 810,198
School's proportionate share of the Net Pension Liability as a percentage of its covered payroll		253.02%	221.53%	202.26%	209.14%	217.45%	190.44%	178.90%
Plan fiduciary net position as a percentage of the Total Pension Liability		77.04%	76.46%	75.20%	74.40%	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.

# BAILEY CHARTER ELEMENTARY 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,						
	2021	2020	2019	2018	2017	2016	2015
Statutorily required contribution	\$ 131,896	\$ 158,551	\$ 168,655	\$ 357,212	\$ 346,578	\$ 276,053	\$ 241,322
Contributions in relation to the statutorily required contribution	<u>131,896</u>	<u>158,551</u>	<u>168,655</u>	<u>357,212</u>	<u>346,578</u>	<u>276,053</u>	<u>241,322</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
School's covered payroll	\$ 907,305	\$ 1,078,413	\$ 1,199,353	\$ 1,319,945	\$ 1,249,981	\$ 1,193,199	\$ 955,937
Contributions as a percentage of employee payroll	14.54%	14.70%	14.06%	27.06%	27.73%	23.14%	25.24%

\*CASB 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.

# BAILEY CHARTER ELEMENTARY SCHOOL

## BUDGETARY COMPARISON SCHEDULE - GOVERNMENTAL FUNDS YEAR ENDED JUNE 30, 2021

(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020)

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET	2020 ACTUAL (Memo Only)
<b>REVENUES</b>					
Local sources	\$ 5,200	\$ 1,425	\$ 1,186	\$ (239)	\$ 5,295
State sources					
Distributive School Account	1,909,934	2,036,805	2,036,805	-	2,056,533
State grants	356,340	736,208	608,817	(127,391)	353,342
Federal sources	124,196	144,977	254,953	109,976	141,869
Total Revenues	<u>2,395,670</u>	<u>2,919,415</u>	<u>2,901,761</u>	<u>(17,654)</u>	<u>2,557,039</u>
<b>EXPENDITURES</b>					
Current					
Instruction					
Regular programs	1,310,440	1,278,153	996,448	281,705	1,324,478
Special programs	88,667	99,943	95,205	4,738	85,822
Total Instruction	<u>1,399,107</u>	<u>1,378,096</u>	<u>1,091,653</u>	<u>286,443</u>	<u>1,410,300</u>
Undistributed expenditures					
Support Services					
School administration	300,956	279,537	272,574	6,963	313,103
Food services	39,479	36,141	26,431	9,710	41,133
Central services	48,000	112,135	110,342	1,793	65,395
Operation and maintenance	182,827	157,219	120,938	36,281	156,003
Total Support Services	<u>571,262</u>	<u>585,032</u>	<u>530,285</u>	<u>54,747</u>	<u>575,634</u>
Capital Outlay	<u>20,172</u>	<u>278,713</u>	<u>432,830</u>	<u>(154,117)</u>	<u>30,710</u>
Debt Service					
Principal	282,307	300,587	300,587	-	281,245
Interest	29,105	30,481	29,530	951	43,550
Total Debt Service	<u>311,412</u>	<u>331,068</u>	<u>330,117</u>	<u>951</u>	<u>324,795</u>
Total Expenditures	<u>2,301,953</u>	<u>2,572,909</u>	<u>2,384,885</u>	<u>188,024</u>	<u>2,341,439</u>
Net Change in Fund Balance	93,717	346,506	516,876	170,370	215,600
FUND BALANCE, July 1, 2020	<u>270,000</u>	<u>397,692</u>	<u>397,692</u>	<u>-</u>	<u>182,092</u>
FUND BALANCE, June 30, 2021	<u>\$ 363,717</u>	<u>\$ 744,198</u>	<u>\$ 914,568</u>	<u>\$ 170,370</u>	<u>\$ 397,692</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 Members of the Board  
Bailey Charter Elementary School  
Reno, 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 Bailey Charter Elementary School (the School) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated March 22, 2022.

**Internal Control over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings, we did identify certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings as Finding #2021-1 to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings as Finding #2021-2 to be a significant deficiency.

### **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.

### **Bailey Charter Elementary School's Response to Findings**

The School's response to the findings identified in our audit is described in the accompanying schedule of findings. The School's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

*Silva, Acciune & Assoc, LLC*

Reno, Nevada  
March 22, 2022



# BAILEY CHARTER ELEMENTARY SCHOOL

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## SCHEDULE OF FINDINGS YEAR ENDED JUNE 30, 2021

### A. SUMMARY OF AUDIT RESULTS

#### *Financial Statements*

Type of Auditor's Report issued:	Qualified
Internal Control over Financial Reporting	
Material weakness identified:	Yes
Significant deficiencies identified:	None reported
Noncompliance material to financial statements noted:	None

### B. FINDINGS – FINANCIAL STATEMENT AUDIT

#### *Finding #2021-1 – Material Weakness*

This is a partial repeat of Finding #2020-1.

During the year ended June 30, 2021 certain accounting tasks were not being completed routinely, timely, or accurately. As a result, the School's year-end internal financial statements and accounting records contained a number of errors, inconsistencies, and omissions. We believe that the principle cause of the errors, inconsistencies, and omissions was inadequate accounting procedures and insufficient training of those responsible for performing accounting tasks. While not intending to be a complete listing of such tasks, the following were deemed to be most significant:

- Reconciliation of account balances to subsidiary ledgers for accounts payable and accounts receivable.
- Reconciliation of interfund balance with student activity funds.
- Regular review and reconciliation of all significant financial statement account balances.

When accounting tasks such as those described above are not routinely, timely, or accurately completed, certain risks to the School may be increased beyond an acceptable level. Those risks include: failure to properly safeguard School assets; noncompliance with contracts and other agreements; failure to meet reporting deadlines and material misstatement of financial reports.

We did note significant improvement in internal controls related to payroll processing.

*School's Response to the Finding:* Please see following page.

# BAILEY CHARTER ELEMENTARY SCHOOL

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## SCHEDULE OF FINDINGS YEAR ENDED JUNE 30, 2021

### *Finding #2021-2 – Significant Deficiency - Board of Directors Oversight*

One of the biggest challenges to effective internal control faced by small nonprofit organizations is the ability to mitigate the risk of management override of internal controls. Having directors who are independent of management and possess relevant knowledge and experience increases the probability that the board will effectively scrutinize and challenge management activities and strategies, and maintain management accountability. An active and independent Board should be providing appropriate oversight of management's activities, the school's internal control and financial reporting.

*School's Response to the Finding:* Please see following page.



# Bailey Charter Elementary School

*The School Your Child Deserves*

## FINDING 2021-1

### GENERAL LEDGER

To ensure that all General Ledger entries are current, accurate and complete:

- All entries are made soon after the underlying accounting event to ensure the financial records and reporting is current.
- All entries are supported by adequate documentation that clearly shows the justification and authorization for the transaction.
- A complete audit trail is maintained using reference codes from source documentation through the books of original entry and General Ledger, to periodic reporting statements.

### FINANCIAL REPORTING

To ensure the accuracy, completeness, and timeliness of financial reporting to support decision-making, monthly managerial reports are prepared, including monthly budget vs. actual financial reports and cash flow projection for the Board of Directors meetings.

- A Trial Balance is prepared to ensure the accuracy of the General Ledger account balances at the end of each month.
- Reconciliation between the General Ledger control accounts and the subsidiary ledgers are completed at the end of each month.
- At fiscal yearend and after the annual audit, all income and expense accounts are closed out, and the general ledger balances are agreed to the audited financial statements.

## FINDING 2021-2

### BOARD OVERSIGHT

The Board of Directors will establish a finance committee, chaired by the Treasurer, to provide appropriate board oversight of school finances, ensure accurate and comprehensive financial reporting to the board, and raise strategic financial issues for board discussion as necessary to conduct its work. Specific responsibilities of the finance committee include:

- Preliminary review of monthly financial statements prior to board review.
- Presentation of financial statements to board for discussion.
- Review and recommend to the full board approval of the annual budget.
- Meet with auditor prior to full board audit review and approval.
- Provide recommendations to ensure appropriate financial policies and procedures are in place.
- Serve as an ongoing resource and advisor to staff on financial issues.
- Coordinate board training on how to read a charter school's financial statements thus increasing board members' competencies.

Michelle Engebretson, Principal

March 22, 2022



210 Gentry Way  
Reno, NV 89502



P: (775) 323-6767  
F: (775) 323-6799



[www.baileycharter.org](http://www.baileycharter.org)  
[info@baileycharter.org](mailto:info@baileycharter.org)

# BAILEY CHARTER ELEMENTARY SCHOOL

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## SUMMARY SCHEDULE OF PRIOR AUDIT FINDING YEAR ENDED JUNE 30, 2021

### FINDINGS – FINANCIAL STATEMENT AUDIT

#### *Finding #2020-1 – Material Weakness*

During the year ended June 30, 2020 certain accounting tasks were not being completed routinely, timely, or accurately. As a result, the School's year-end internal financial statements and accounting records contained a number of errors, inconsistencies, and omissions. We believe that the principal cause of the errors, inconsistencies, and omissions was inadequate accounting procedures and insufficient training of those responsible for performing accounting tasks. While not intending to be a complete listing of such tasks, the following were deemed to be most significant:

- Reconciliation of account balances to subsidiary ledgers for accounts payable and accounts receivable.
- Proper accounting and reconciliation of amounts withheld from employee paychecks.
- Authorized pay rates consistently documented and retained in employee personnel files.
- Reconciliation of interfund balance with student activity funds.
- Regular review and reconciliation of all significant financial statement account balances.

When accounting tasks such as those described above are not routinely, timely, or accurately completed, certain risks to the School may be increased beyond an acceptable level. Those risks include: failure to properly safeguard School assets; noncompliance with contracts and other agreements; failure to meet reporting deadlines and material misstatement of financial reports. This is a repeat of Finding #2019-1 and Finding #2019-2.

#### *Status as of June 30, 2021:*

We noted that there has been some progress related to this finding, including adding a payroll manager position. However there was not sufficient progress on internal controls related to finding #2020-1; therefore it has been repeated this year and reported as part of Finding #2021-1.

# BAILEY CHARTER ELEMENTARY SCHOOL

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## INDEPENDENT AUDITORS' COMMENTS

JUNE 30, 2021

### 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.

#### *Progress on Prior Year*

Potential violations due to expenditures exceeding appropriations were reported in the financial statements for the year ended June 30, 2020, and have also been reported for the year ended June 30, 2021.

### AUDIT RECOMMENDATIONS

#### *Current Year*

*Finding #2021-1 - Material Weakness* and *Finding #2021-2 - Significant Deficiency* have been reported in the Schedule of Findings in this report.

#### *Prior Year*

*Finding #2020-1* was reported in the Schedule of Findings within the audit report for the year ended June 30, 2020. The current status of this finding can be found in the Summary Schedule of Prior Audit Finding in this report.