

**BAILEY CHARTER ELEMENTARY SCHOOL**

*Financial Statements and  
Required Supplementary Information*

**June 30, 2022**

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# BAILEY CHARTER ELEMENTARY SCHOOL

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## INDEPENDENT AUDITORS' REPORT

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

### Report on the Audit of the Financial Statements

#### Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Bailey Charter Elementary School (the School), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

#### 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

#### Qualified Opinion on Governmental Activities and Aggregate Remaining Fund Information

In our opinion, except for the possible 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, 2022, and the 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 Opinion on Major Funds

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Bailey Charter Elementary School as of June 30, 2022, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### Basis for Qualified and Unmodified Opinions

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. Our responsibilities under those standards are further

described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified and unmodified audit opinions.

#### **Basis for Qualified Opinion on Governmental Activities**

Management has not implemented Governmental Accounting Standards Board (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**

Management has not implemented Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. 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. Due to certain personnel limitations of the School during the year ended June 30, 2022, 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, 2022. 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 \$26,243 and an overstatement of liabilities by \$26,243, resulting in no effect on the net position of the aggregate remaining fund information as of June 30, 2022.

#### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

#### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation in the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **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 General Fund's and the School Grants Fund's 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 Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Bailey Charter Elementary School's basic financial statements. The Budgetary Comparison Schedule – Governmental Fund – Budgetary Basis is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Budgetary Comparison Schedule – Governmental Fund – Budgetary Basis is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used



to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain other additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Budgetary Comparison Schedule – Governmental Fund – Budgetary Basis is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Prior Year Partial Comparative Information**

We have previously audited in accordance with auditing 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, 2021, and have issued our report thereon dated March 22, 2022 which expressed a qualified opinion on the respective financial statements of the governmental activities and aggregate remaining fund information 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, 2021 is consistent with the audited financial statements from which it is derived.

The individual fund financial statements and schedules related to the 2021 financial statements are presented for purposes of additional analysis and were derived from and relate directly to the underlying accounting and other records used to prepare the 2021 financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2021 basic financial statements and certain other additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. The individual fund financial statements and schedules are consistent in relation to the basic financial statements from which they have been derived.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's 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.

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Reno, Nevada  
October 31, 2022

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**BAILEY CHARTER ELEMENTARY SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2022**

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, 2022. 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, 2022 was \$1,623,964, which represents an increase of \$924,353 over the prior year's net position of \$924,353.
- The General Fund had a fund balance of \$1,389,145 as of June 30, 2022, which represents an increase of \$474,577 over the prior year's fund balance of \$914,568.

**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, 2022**

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 13 and 14 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 16 and 19.

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, 2022**

These funds are disclosed separately in the Governmental Funds Balance Sheet (page 15) and the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances (page 17).

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 20.

The GASB has promulgated new accounting standards for fiduciary activities through the issuance of GASB Statement No. 84, *Fiduciary Activities*, which became effective for the fiscal year ended June 30, 2021. The School has not yet implemented this accounting standard; therefore the auditors' opinion has been qualified. The School will seek to fully implement the provisions of GASB 84 during the 2022-23 fiscal year.

*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 21 through 32.

*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 35. The School combines its General and School Grants funds into one reporting unit for this presentation as that conforms to the official budget presented to the State's Department of Education. 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 33-34.

**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 assets and deferred outflows of resources exceeded the liabilities and deferred inflows of resources by \$1,623,964 as of June 30, 2022, which is an improvement of \$924,353 over the previous year. Included in the School's net position is \$2,307,798, reflecting its investment in capital assets (e.g. buildings, improvements, furniture and

**BAILEY CHARTER ELEMENTARY SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2022**

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.

Below is a summary of the School's net position for 2022 compared to 2021:

<b>BAILEY CHARTER ELEMENTARY SCHOOL NET POSITION</b>			
	<b>2022</b>	<b>2021</b>	<b>Change</b>
<b>Assets</b>			
Current assets and other	\$ 1,682,932	\$ 989,468	\$ 693,464
Net capital assets	<u>2,910,230</u>	<u>2,997,691</u>	<u>(87,461)</u>
Total Assets	4,593,162	3,987,159	606,003
<b>Deferred Outflows of Resources</b>	<u>699,462</u>	<u>408,239</u>	<u>291,223</u>
Total Assets and Deferred Outflows	5,292,624	4,395,398	897,226
<b>Liabilities</b>			
Current liabilities	591,681	74,900	516,781
Non-current liabilities	<u>1,436,008</u>	<u>3,197,115</u>	<u>(1,761,107)</u>
Total Liabilities	2,027,689	3,272,015	(1,244,326)
<b>Deferred Inflows of Resources</b>	<u>1,640,971</u>	<u>423,772</u>	<u>1,217,199</u>
Total Liabilities and Deferred Inflows	3,668,660	3,695,787	(27,127)
<b>Net Position</b>			
Net investment in capital assets	2,307,798	2,096,217	211,581
Unrestricted (Deficit)	<u>(683,834)</u>	<u>(1,396,606)</u>	<u>712,772</u>
Total Net Position	<u>\$ 1,623,964</u>	<u>\$ 699,611</u>	<u>\$ 924,353</u>

The Government Accounting Standards Board (GASB) requires governmental entities to recognize a net pension liability and its respective deferred outflows and inflows relative to its participation in the Nevada Public Employees' Retirement System (PERS). As such, the School has recognized a net pension liability of \$1,131,469; deferred inflows of \$1,640,971; and deferred outflows of \$699,462 as of June 30, 2022. As discussed below, users of this financial statement may 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

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MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2022**

subtracting deferred outflows related to pensions. The resulting net position would be \$3,696,942, which is \$2,072,978 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, 2022**

The changes in the School's net position for the years ended June 30, 2022 and 2020 are presented below:

<b>BAILEY CHARTER ELEMENTARY SCHOOL CHANGES IN NET POSITION</b>			
	<b>2022</b>	<b>2021</b>	<b>Change</b>
<b>Revenues:</b>			
Program revenue:			
Operating grants	\$ 440,960	\$ 863,770	\$ (422,810)
General revenue:			
State funding	2,154,501	2,036,805	117,696
Investment earnings	508	256	252
Other income local sources	<u>33,305</u>	<u>929</u>	<u>32,376</u>
Total Revenues	<u>2,629,274</u>	<u>2,901,760</u>	<u>(272,486)</u>
<b>Expenses:</b>			
Instruction	988,139	1,409,766	(421,627)
Support services	<u>716,782</u>	<u>559,814</u>	<u>156,968</u>
Total Expenses	<u>1,704,921</u>	<u>1,969,580</u>	<u>(264,659)</u>
Change in Net Position	<u>\$ 924,353</u>	<u>\$ 932,180</u>	<u>\$ (7,827)</u>

**BUDGETARY HIGHLIGHTS**

The School's actual results compared to its budgeted June 30, 2022 results are presented in the accompanying "Budgetary Comparison Schedule", which can be found on page 35. There were no over-expenditures requiring disclosure in Note 2 to the financial statements.

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MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**CAPITAL ASSETS AND DEBT ADMINISTRATION**

*Capital Assets*

As of June 30, 2022, Bailey Charter Elementary School had total capital assets, net of accumulated depreciation of \$2,910,230, which includes land, buildings and related improvements, furniture and fixtures. Depreciation expense for the year was \$87,462. Additional detail can be found in Note 6 of the financial 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 in Note 7 of these statements.

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

Bailey Charter Elementary School's main source of revenue comes from the per-pupil allotted from the State of Nevada. Bailey Charter Elementary School administrative staff can estimate the number of students who will be enrolled for each school year based off of previously enrolled students (returning to the school), as well as a projected number of students who will be enrolled after the school year begins. Funding is calculated by the Average Daily Attendance (ADE) and is reported to the Nevada Department of Education on a quarterly basis.

Prior to the 2019-2020 school year, Bailey Charter Elementary School had a thriving enrollment of up to 230 students attending the school. As schools migrated toward distance learning, student attendance decreased. Bailey Charter Elementary School remained on distance learning a year longer than schools in the Washoe County further reducing student attendance to a maximum enrollment of 186 students. The decrease in student enrollment has significantly impacted the school's operating budget, as the present administrator recognized that only three teaching positions were filled with certified teachers, and that many of the instructional assistants were not highly qualified (as required under Title 1). By July 2022, all teaching positions were filled with certified teachers (many with Master's degrees) and highly qualified staff. However, student enrollment remains low, and the budget has had to be supplemented by drawing from the school's unrestricted fund balance.

**BAILEY CHARTER ELEMENTARY SCHOOL  
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FOR THE YEAR ENDED JUNE 30, 2022**

The school administrator will continue to work with the board of trustees to increase academic performance in students' grades K-6, while building community relations to with parents and families to build the student population. Increased student enrollment will allow staff to access state and federal funding rather than relying on the school's unrestricted fund balance.

**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.

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# BAILEY CHARTER ELEMENTARY SCHOOL

## STATEMENT OF NET POSITION JUNE 30, 2022

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash	\$ 1,345,325
Receivables	302,094
Prepaid expenses	35,513
Capital assets (not being depreciated)	288,925
Capital assets (net of accumulated depreciation)	<u>2,621,305</u>
Total Assets	4,593,162
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to pensions	<u>699,462</u>
Total Assets and Deferred Outflows	<u>5,292,624</u>
<b>LIABILITIES</b>	
Accounts payable	33,292
Due to other governments	227,694
Accrued payroll and benefits	18,943
Payable to Student Activity Fund	13,859
Noncurrent liabilities	
Mortgage payable due within one year	297,893
Mortgage payable, due in more than one year	304,539
Net pension liability	<u>1,131,469</u>
Total Liabilities	2,027,689
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows related to pensions	<u>1,640,971</u>
Total Liabilities and Deferred Inflows	<u>3,668,660</u>
<b>NET POSITION</b>	
Investment in capital assets, net of related debt	2,307,798
Unrestricted	<u>(683,834)</u>
Total Net Position	<u>\$ 1,623,964</u>

See accompanying notes.

# BAILEY CHARTER ELEMENTARY SCHOOL

## STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2022

GOVERNMENTAL ACTIVITIES FUNCTIONS / PROGRAMS	EXPENSES	PROGRAM REVENUES		NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION
		CHARGES FOR SERVICES	OPERATING GRANTS	
Regular programs	\$ 565,335	\$ -	\$ 414,121	\$ (151,214)
Special programs	96,899	-	26,839	(70,060)
Other Instructional programs	325,905	-	-	(325,905)
Total Instruction	988,139	-	440,960	(547,179)
General administration	60,789	-	-	(60,789)
School administration	193,846	-	-	(193,846)
Food services	45,031	-	-	(45,031)
Central services	256,956	-	-	(256,956)
Operation and maintenance	160,160	-	-	(160,160)
Total Support	716,782	-	-	(716,782)
Total Governmental Activities	\$ 1,704,921	\$ -	\$ 440,960	(1,263,961)
<b>General Revenues</b>				
State pupil-centered funding				2,154,501
Investment earnings				508
Other income from local sources				33,305
Total General Revenues				2,188,314
Change in Net Position				924,353
NET POSITION, July 1, 2021				699,611
NET POSITION, June 30, 2022				\$ 1,623,964

See accompanying notes.

# BAILEY CHARTER ELEMENTARY SCHOOL

## BALANCE SHEET - GOVERNMENTAL FUNDS JUNE 30, 2022

	GENERAL FUND	SCHOOL GRANTS FUND	TOTAL
<b>ASSETS</b>			
Cash	\$ 1,345,325	\$ -	\$ 1,345,325
Due from other governments	172,222	129,872	302,094
Due from other fund	129,872	-	129,872
Prepaid expenses	35,513	-	35,513
Total Assets	<u>\$ 1,682,932</u>	<u>\$ 129,872</u>	<u>\$ 1,812,804</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 33,291	\$ -	\$ 33,291
Due to other governments	227,694	-	227,694
Accrued payroll and benefits	18,943	-	18,943
Due to other fund	-	129,872	129,872
Payable to Student Activity Fund	13,859	-	13,859
Total Liabilities	<u>293,787</u>	<u>129,872</u>	<u>423,659</u>
<b>FUND BALANCES</b>			
Nonspendable	35,513	-	35,513
Unassigned	1,353,632	-	1,353,632
Total Fund Balance	<u>1,389,145</u>	<u>-</u>	<u>1,389,145</u>
Total Liabilities and Fund Balances	<u>\$ 1,682,932</u>	<u>\$ 129,872</u>	<u>\$ 1,812,804</u>

See accompanying notes.

# BAILEY CHARTER ELEMENTARY SCHOOL

## RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION JUNE 30, 2022

**Fund Balance - Governmental Funds** \$ 1,389,145

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	\$ 4,138,935	
Less accumulated depreciation	<u>(1,228,705)</u>	2,910,230

Deferred outflows related to pension, including payments made subsequent to the measurement date are not reported in governmental funds. 699,462

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

Mortgage payable	(602,432)	
Net pension liability	<u>(1,131,469)</u>	(1,733,901)

Deferred inflows related to pension investment returns are not reported in the governmental funds. (1,640,972)

**Net Position - Governmental Activities** \$ 1,623,964

*See accompanying notes.*

# BAILEY CHARTER ELEMENTARY SCHOOL

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS YEAR ENDED JUNE 30, 2022

	GENERAL FUND	SCHOOL GRANTS FUND	TOTAL
<b>REVENUES</b>			
Local sources	\$ 33,813	\$ -	\$ 33,813
State sources	2,084,441	70,060	2,154,501
Federal sources	-	440,960	440,960
Total Revenues	<u>2,118,254</u>	<u>511,020</u>	<u>2,629,274</u>
<b>EXPENDITURES</b>			
Current			
Instruction			
Regular programs	744,910	58,620	803,530
Special programs	-	96,899	96,899
Other Instructional programs	-	325,905	325,905
Total Instruction	<u>744,910</u>	<u>481,424</u>	<u>1,226,334</u>
Undistributed Expenditures			
Support Services			
General administration	60,789	-	60,789
School administration	193,846	-	193,846
Food services	-	45,031	45,031
Central services	133,703	-	133,703
Operation and maintenance	130,564	29,596	160,160
Total Support Services	<u>518,902</u>	<u>74,627</u>	<u>593,529</u>
Debt Service			
Principal	299,043	-	299,043
Interest	35,791	-	35,791
Total Debt Service	<u>334,834</u>	<u>-</u>	<u>334,834</u>
Total Expenditures	<u>1,598,646</u>	<u>556,051</u>	<u>2,154,697</u>
Excess of Revenue over Expenditures	<u>519,608</u>	<u>(45,031)</u>	<u>474,577</u>

Continued on next page.

See accompanying notes.

# BAILEY CHARTER ELEMENTARY SCHOOL

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS YEAR ENDED JUNE 30, 2022

	GENERAL FUND	SCHOOL GRANTS FUND	TOTAL
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	\$ -	\$ 45,031	\$ 45,031
Transfers (out)	(45,031)	-	(45,031)
Total Other Financing Sources (Uses)	(45,031)	45,031	-
Net Change in Fund Balance	474,577	-	474,577
<b>FUND BALANCE, July 1, 2021</b>	914,568	-	914,568
<b>FUND BALANCE, June 30, 2022</b>	<u>\$ 1,389,145</u>	<u>\$ -</u>	<u>\$ 1,389,145</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, 2022

<b>Net Change in Fund Balances - Governmental Funds</b>	<b>\$ 474,577</b>
 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.	(87,462)
Repayment of the mortgage payable is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the Statement of Net Position.	299,043
The difference between the actuarial determined pension liability and actual contributions made increases pension expense in the Statement of Activities.	238,195
<b>Change in Net Position - Governmental Activities</b>	<b><u>\$ 924,353</u></b>

*See accompanying notes.*

# BAILEY CHARTER ELEMENTARY SCHOOL

## STATEMENT OF CHANGES IN STUDENT ACTIVITY AGENCY FUND YEAR ENDED JUNE 30, 2022

	<u>BALANCE</u> <u>JULY 1, 2021</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE</u> <u>JUNE 30, 2022</u>
<b>ASSETS</b>				
Cash	\$ 10,301	\$ 3,095	\$ 1,129	\$ 12,267
Due from General Fund	13,976	-	-	13,976
Total Assets	<u>\$ 24,277</u>	<u>\$ 3,095</u>	<u>\$ 1,129</u>	<u>\$ 26,243</u>
<b>LIABILITIES</b>				
Due to students	\$ 23,264	\$ 3,095	\$ 116	\$ 26,243
Accounts payable	1,013	-	1,013	-
Total Liabilities	<u>\$ 24,277</u>	<u>\$ 3,095</u>	<u>\$ 1,129</u>	<u>\$ 26,243</u>

*See accompanying notes.*

# BAILEY CHARTER ELEMENTARY SCHOOL

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## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

### 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.

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 (State Education Fund apportionments, 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

# BAILEY CHARTER ELEMENTARY SCHOOL

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## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

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.

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.

# BAILEY CHARTER ELEMENTARY SCHOOL

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## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

### *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.

### *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

# BAILEY CHARTER ELEMENTARY SCHOOL

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## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

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 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.



# BAILEY CHARTER ELEMENTARY SCHOOL

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## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

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.

### *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, 2022, 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;
- The School has not engaged in any activities that would result in unrelated business income tax;

# BAILEY CHARTER ELEMENTARY SCHOOL

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## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

- 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 2021. Such information can only be obtained by referring to the audited financial statements for that year.

### **NOTE 2 – COMPLIANCE WITH NEVADA REVISED STATUTES**

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

### **NOTE 3 – CASH**

The School's cash balances as of June 30, 2022 consists of two checking accounts and one savings account in one commercial bank. The Government-wide balance is \$1,345,325 and the Student Activity Fund balance is \$12,267. 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.

# BAILEY CHARTER ELEMENTARY SCHOOL

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## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

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, 2022, 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 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, 2022

### NOTE 6 – CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2022 is shown below:

	Balance <u>July 1, 2021</u>	Increases <u>(Decreases)</u>	Balance <u>June 30, 2022</u>
Nondepreciable capital assets			
Land	\$ 288,925	\$ -	\$ 288,925
Depreciable capital assets			
Buildings and improvements	3,122,027	-	3,122,027
Furniture and equipment	727,983	-	727,983
Total cost	3,850,010	-	3,850,010
Less: accumulated depreciation	1,141,243	87,462	1,228,705
Depreciable assets, net	<u>2,708,767</u>	<u>(87,462)</u>	<u>2,621,305</u>
Governmental Activities			
Capital assets, net	<u>\$ 2,997,692</u>	<u>\$ (87,462)</u>	<u>\$ 2,910,230</u>

Depreciation expense of \$87,462 for the year ended June 30, 2022 has been allocated to regular programs.

### NOTE 7 – LONG-TERM DEBT

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, 2022 was 4.76%. 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, 2022 are as follows:

Fiscal Years	Total		
<u>Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Requirements</u>
2023	\$ 297,893	\$ 13,519	\$ 311,412
2024	304,539	5,271	309,810
	<u>\$ 602,432</u>	<u>\$ 18,790</u>	<u>\$ 621,222</u>

Total interest paid on long-term debt for the year ended June 30, 2022 was \$35,791.

# BAILEY CHARTER ELEMENTARY SCHOOL

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

The following shows the changes in the School's long-term debt for the year ended June 30, 2022:

	Balance July 1, 2021	Additions of New Debt	Retirements, Repayments and Reductions	Balance June 30, 2022	Due Within One Year
Mortgages Payable	\$ 901,475	\$ -	\$ (299,043)	\$ 602,432	\$ 297,893
Net Pension Liability	2,295,640	-	(1,164,171)	1,131,469	-
Total non-current liabilities	\$ 3,197,115	\$ -	\$ (1,463,214)	\$ 1,733,901	\$ 297,893

### NOTE 8 – 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

# BAILEY CHARTER ELEMENTARY SCHOOL

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## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

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

Post-retirement increases are provided by authority of NRS 286.575-.579.

### **Vesting**

Regular members are eligible for retirement at age 65 with five years of service, at age 60 with ten years of service, or at any age with thirty years of service. Regular members entering the System on or after January 1, 2010, are eligible for retirement at age 65 with five years of service, or age 62 with ten years of service, or any age with thirty years of service. Regular members who entered the 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, 2022 were 15.5% for the EE/ER plan and 14.875% for the EPC plan. The required contribution rates for the year ended June 30, 2021 were 15.25% for the EE/ER plan and 14.625% for the EPC plan. The School's contributions to the plans were \$155,206 and \$131,896 for the years ended June 30, 2022 and June 30 2021, 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.



# BAILEY CHARTER ELEMENTARY SCHOOL

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022

The following was the PERS Board's adopted policy for target asset allocation as of June 30, 2022:

Asset Class	Target	Long-Term
	Allocation	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%
	100%	

### Net Pension Liability

At June 30, 2022, the School reported a liability of \$1,131,469 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021 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, 2021, the School's proportion of the regular plan was .01241%, compared to its .01648% proportion measured as of June 30, 2020, a decrease of .00407.

### 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 7.25%. 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 (6.25%) or 1.00 percentage point higher (8.25%) than the current discount rate of 7.25%.

	1% Decrease in Discount Rate (6.25%)	Discount Rate (7.25%)	1% Increase in Discount Rate (8.25%)
Net Pension Liability	\$ 2,252,719	\$ 1,131,469	\$ 206,530

### 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, 2022

### Actuarial Assumptions

The System's net pension liability was measured as of June 30, 2021, 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	7.25% per year.
Salary increases	4.2% to 9.1% depending on service.
Inflation rate	2.5% per year.
Productivity pay increase	0.50%
Consumer Price Index	2.50%
Other assumptions	Same as those used in the June 30, 2021 funding actuarial valuation.

Actuarial assumptions used in the June 30, 2021, valuation were based on the results of the experience study for the period July 1, 2016 through June 30, 2020.

The discount rate used to measure the total pension liability was 7.25%. 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, 2022, the School recognized pension income of \$85,022. As of June 30, 2022, 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, 2022

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 125,332	\$ 7,963
Changes in assumptions	375,667	-
Net difference between projected and actual earnings on pension plan assets	-	923,243
Changes in proportion	43,257	709,765
The School's contributions subsequent to the measurement date	155,206	-
	<u>\$ 699,462</u>	<u>\$ 1,640,971</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, 2022. 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
2023	\$ (248,594)
2024	(283,733)
2025	(290,118)
2026	(263,179)
2027	(10,085)
2028	(1,006)
	<u>\$ (1,096,715)</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

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\*

	2021	2020	2019	2018	2017	2016	2015	2014
Plan Year Ended								
School's portion of the Net Pension Liability	0.01241%	0.01648%	0.01752%	0.01958%	0.01966%	0.02448%	0.01589%	0.01391%
School's proportionate share of the Net Pension Liability	\$ 1,131,469	\$ 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	\$ 1,043,292	\$ 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	108.45%	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	86.51%	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,									
	2022	2021	2020	2019	2018	2017	2016	2015		
Statutorily required contribution	\$ 155,206	\$ 131,896	\$ 158,551	\$ 168,655	\$ 357,212	\$ 346,578	\$ 276,053	\$ 241,322		
Contributions in relation to the statutorily required contribution	155,206	131,896	158,551	168,655	357,212	346,578	276,053	241,322		
Contribution deficiency (excess)	-	-	-	-	-	-	-	-		
School's covered payroll	\$ 1,043,292	\$ 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	14.88%	14.54%	14.70%	14.06%	27.06%	27.73%	23.14%	25.24%		

\*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

## BUDGETARY COMPARISON SCHEDULE - GOVERNMENTAL FUNDS YEAR ENDED JUNE 30, 2022

(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2021)

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET	2021 ACTUAL (Memo Only)
<b>REVENUES</b>					
Local sources	\$ 2,700	\$ 2,700	\$ 33,813	\$ 31,113	\$ 1,186
State sources	1,893,325	1,893,325	2,154,501	261,176	2,645,622
Federal sources	119,105	440,960	440,960	-	254,953
Total Revenues	2,015,130	2,336,985	2,629,274	292,289	2,901,761
<b>EXPENDITURES</b>					
Current					
Instruction					
Regular programs	915,765	915,765	803,530	112,235	996,448
Special programs	107,805	107,805	96,899	10,906	95,205
Other instructional programs	56,041	377,926	325,905	52,021	-
Total Instruction	1,079,611	1,401,496	1,226,334	175,162	1,091,653
Undistributed Expenditures					
Support Services					
General administration	64,393	64,393	60,789	3,604	-
School administration	328,409	328,409	193,846	134,563	272,574
Food services	43,816	43,816	45,031	(1,215)	26,431
Central services	138,516	138,516	133,703	4,813	110,342
Operation and maintenance	141,381	141,381	160,160	(18,779)	120,938
Total Support Services	716,515	716,515	593,529	122,986	530,285
Capital Outlay	-	-	-	-	432,830
Debt Service					
Principal	312,666	312,666	299,043	13,623	300,587
Interest	23,068	23,068	35,791	(12,723)	29,530
Total Debt Service	335,734	335,734	334,834	900	330,117
Contingency	63,956	63,956	-	63,956	-
Total Expenditures	2,195,816	2,517,701	2,154,697	363,004	2,384,885
Net Change in Fund Balance	(180,686)	(180,716)	474,577	655,293	516,876
FUND BALANCE, July 1, 2021	643,998	643,998	914,568	270,570	397,692
FUND BALANCE, June 30, 2022	\$ 463,312	\$ 463,282	\$ 1,389,145	\$ 925,863	\$ 914,568

**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 Directors  
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 and each major fund of Bailey Charter Elementary School (the School) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Bailey Charter Elementary School's basic financial statements, and have issued our report thereon dated October 31, 2022.

**Report on 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) as a basis for designing 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings as items #2022-1 and #2022-2 that we consider to be material weaknesses.



## **Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **School's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the School's response to the findings identified in our audit and described in the accompanying schedule of findings. The School's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

## **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.

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Reno, Nevada  
October 31, 2022

# BAILEY CHARTER ELEMENTARY SCHOOL

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## SCHEDULE OF FINDINGS AND RESPONSES YEAR ENDED JUNE 30, 2022

### FINDINGS

#### *Finding #2022-1 – Material Weakness*

This is a partial repeat of Finding #2021-1.

**Criteria:** Management is responsible for establishing and maintaining an effective system of internal control. One of the key components of an effective system of internal control is sufficiently trained personnel able to account for balances and transactions in an entity's general ledger, such that the general ledger provides accurate information to prepare financial statements in accordance with generally accepted accounting principles (GAAP).

**Condition:** Internal controls over financial reporting were not strong enough to ensure accurate financial information was generated. The general ledger required audit adjustments in order for the School's financial statements to be prepared in accordance with GAAP.

**Cause:** As of and for the year ended June 30, 2022, the School's management had not implemented sufficient procedures to ensure personnel responsible for the School's financial reporting possess the skills and knowledge necessary to account for balances and transactions in the general ledger, such that the general ledger provides complete and accurate information to prepare financial statements in accordance with GAAP.

**Effect:** During the year ended June 30, 2022 certain accounting tasks were not being completed routinely, timely, or accurately. As a result, the School's new administration (effective July 1, 2022) was compelled to contract with an accounting professional in order to adjust the School's books and records so that they would be in an acceptable condition for audit purposes. As in previous years, the unadjusted internal financial statements and accounting records contained a number of errors, inconsistencies, and omissions, due primarily to 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.

As was also the case in previous years, the June 30, 2022 *Independent Auditor's Report* was modified to reflect qualification on two opinion units: the governmental activities and the aggregate remaining fund information, because certain accounting pronouncements issued by the Governmental Accounting Standards Board (GASB) were not implemented.

# BAILEY CHARTER ELEMENTARY SCHOOL

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## SCHEDULE OF FINDINGS AND RESPONSES YEAR ENDED JUNE 30, 2022

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. In addition, a proper separation of accounting duties was not in place, thereby further exposing the School to a level of risk that is generally considered to be unacceptable. Such risks could include: failure to properly safeguard School assets; noncompliance with contracts and other agreements; failure to meet reporting deadlines and material misstatement of financial statements and reports.

**Recommendation:** We recommend that management implement procedures to provide training to personnel responsible for the School's financial reporting in the unique aspects of governmental accounting, such that the general ledger reflects information which is complete and accurate and sufficiently facilitates the preparation of financial statements in accordance with GAAP.

We also recommend that the School implement a separation of duties so that the functions of authorization, custody, bookkeeping, and reconciliation are kept as separate as possible and practicable.

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

### *Finding #2022-2 – Material Weakness*

This is an edited repeat of Finding #2021-2.

**Criteria:** The Board of Directors should demonstrate independence from management in exercising oversight of the development and performance of internal control over financial reporting.

**Condition:** The Board's oversight of management's activities may not be sufficient to provide the proper scrutiny and challenge to management.

**Cause:** The Board of Directors did not meet during the fiscal year ended June 30, 2022.

**Effect:** 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.

**Recommendation:** An active and independent Board should be providing appropriate oversight of management's activities, the School's internal control and its financial reporting.

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



# Bailey Charter Elementary School

*The School Your Child Deserves*

October 31, 2022

## **Finding #2022-1 - Material Weakness**

As of August 2022, Bailey Charter Elementary School, BCES administration has implemented a separation of duties by hiring a financial manager. The implementation of the separation of duties will include, but is not limited to authorization, custody, bookkeeping, and reconciliation are kept as separate as possible and practicable.

The financial manager will ensure that financial reporting is accurate, complete, and provides timely reporting to support decision-making, to prepare monthly managerial reports that include budget vs. actual financial reports and cash flow projections for the Board of Directors. Financial reporting will include, but is not limited to:

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


Bailey Charter Elementary School, BCES school administration has already begun to work with the financial manager to provide eligible financial training to the school's bookkeeper in the unique aspects of governmental accounting, such that the general ledger reflects information that is complete, accurate, and sufficiently facilitates the preparation of financial statements in accordance with the GAAP. Financial training will continue on a yearly basis to ensure that school administration and the bookkeeper are well-versed in recommended practices.

## **Finding #2022-2 – Material Weakness**

As of August 2022, Bailey Charter Elementary School, BCES administration has worked with the Board of Directors to recruit new board members who will be committed to taking on a more active role. The Board of Directors will be meeting on November 7, 2022 to discuss the establishment of a finance committee, who will be chaired by the Treasurer, to provide appropriate board oversight of school finances, to ensure accurate and comprehensive financial reporting to the board, and to raise strategic financial issues for board discussion as necessary to conduct its work. Responsibilities of the finance committee will include, but are not limited to:

- 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
- Select an external auditor for yearly audits and recommend to the board for approval
- Provide recommendations to ensure appropriate financial policies and procedures are in place

- Serve as an ongoing resource and advisor to the school on related financial issues
- Coordinate board training on how to read a charter school's financial statements thus increasing board members competencies.



Kelly Wales, Principal

DRAFT2





# BAILEY CHARTER ELEMENTARY SCHOOL

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## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS YEAR ENDED JUNE 30, 2022

### FINDINGS – FINANCIAL STATEMENT AUDIT

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

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

**Criteria:** Management is responsible for establishing and maintaining an effective system of internal control. One of the key components of an effective system of internal control is sufficiently trained personnel able to account for balances and transactions in an entity's general ledger, such that the general ledger provides accurate information to prepare financial statements in accordance with generally accepted accounting principles (GAAP).

**Condition:** Internal controls over financial reporting were not strong enough to ensure accurate financial information was generated. The general ledger required audit adjustments in order for the School's financial statements to be prepared in accordance with GAAP.

**Cause:** The School's management has not implemented sufficient procedures to ensure personnel responsible for the School's financial reporting possess the skills and knowledge necessary to account for balances and transactions in the general ledger, such that the general ledger provides complete and accurate information to prepare financial statements in accordance with GAAP.

**Effect:** 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.

Several audit adjustments to the general ledger were required in order for the School's financial statements to be prepared in accordance with GAAP. Further, the *Independent Auditor's Report* was modified to reflect qualification on two opinion units: the governmental activities and the aggregate remaining fund information, because recent accounting pronouncements issued by the Governmental Accounting Standards Board could not be implemented.

# BAILEY CHARTER ELEMENTARY SCHOOL

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## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS YEAR ENDED JUNE 30, 2022

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 statements and reports.

**Recommendation:** We recommend that management implement procedures to provide training to personnel responsible for the School's financial reporting in the unique aspects of governmental accounting, such that the general ledger reflects information which is complete and accurate and sufficiently facilitates the preparation of financial statements in accordance with GAAP.

**Status as of June 30, 2022:** This finding has been partially repeated as Finding #2022-1.

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

**Criteria:** The Board of Directors should demonstrate independence from management in exercising oversight of the development and performance of internal control over financial reporting.

**Condition:** The Board's oversight of management's activities may not be sufficient to provide the proper scrutiny and challenge to management.

**Cause:** The Board of Directors met three times during the fiscal year ended June 30, 2021. In addition, the School's principal was responsible for preparing the meeting minutes.

**Effect:** 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.

**Recommendation:** An active and independent Board should be providing appropriate oversight of management's activities, the School's internal control and its financial reporting.

**Status as of June 30, 2022:** This finding has been repeated in its entirety as Finding #2022-2 and has been deemed to be a material weakness.



# BAILEY CHARTER ELEMENTARY SCHOOL

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## INDEPENDENT AUDITORS' COMMENTS

JUNE 30, 2022

### 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*

- The potential violation reported for the year ended June 30, 2021 due to expenditures exceeding appropriations was not repeated for the year ended June 30, 2022.
- The augmented budget for the year ended June 30, 2021 included revenues augmented in excess of the amounts received; this condition was not repeated for the year ended June 30, 2022.
- The *Independent Auditors' Report* for June 30, 2021 was dated March 22, 2022; the report for June 30, 2022 is dated October 31, 2022.

### AUDIT RECOMMENDATIONS

#### *Current Year*

Findings #2022-1 and #2022-2 are material weaknesses which have been reported on pages 38 and 39 of the June 30, 2022 report.

#### *Prior Year*

Findings #2021-1 and #2021-2 have been repeated as current findings in the June 30, 2022 report.