

MONTICELLO MONTESSORI PUBLIC CHARTER SCHOOL

AUDITED FINANCIAL STATEMENTS

Year Ended June 30, 2017

MONTICELLO MONTESSORI PUBLIC CHARTER SCHOOL

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FINANCIAL SECTION

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Independent Auditor's Report

Board of Directors
Monticello Montessori Public Charter School

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Monticello Montessori Public Charter School (the School) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School as of June 30, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison schedules, schedule of employer's share of net pension liability, and schedule of employer contributions listed as required supplementary information in the table of contents be presented to supplement the basic financial statements. Such information, although not required to be 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, and 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.

Management has not included the management's discussion and analysis information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such information, although not 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, and historical context. Our opinion on the basic financial statements is not affected by not including this information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School's basic financial statements. The accompanying combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2017, 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, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

Quest CPAs PLLC

Payette, Idaho
October 16, 2017

BASIC FINANCIAL STATEMENTS

MONTICELLO MONTESSORI PUBLIC CHARTER SCHOOL

Statement of Net Position

June 30, 2017

	<u>Governmental Activities</u>
Assets	
Current Assets	
Cash	\$147,804
Receivables:	
Local Sources	0
State Sources	32,535
Federal Sources	111,424
Total Current Assets	<u>291,763</u>
Noncurrent Assets	
Nondepreciable Capital Assets	613,212
Depreciable Net Capital Assets	1,649,867
Total Noncurrent Assets	<u>2,263,079</u>
Total Assets	<u>2,554,842</u>
 Deferred Outflows of Resources	
Pension Sources	282,961
Total Deferred Outflows of Resources	<u>282,961</u>
Total Assets and Deferred Outflows of Resources	<u>\$2,837,803</u>
 Liabilities	
Current Liabilities	
Accounts Payable	\$6,058
Unspent Grant Allocation	2,067
Long-Term Debt, Current	37,894
Total Current Liabilities	<u>46,019</u>
Noncurrent Liabilities	
Long-Term Debt, Noncurrent	2,213,316
Net Pension Liability	414,701
Total Noncurrent Liabilities	<u>2,628,017</u>
Total Liabilities	<u>2,674,036</u>
 Deferred Inflows of Resources	
Pension Sources	135,633
Total Deferred Inflows of Resources	<u>135,633</u>
Total Liabilities and Deferred Inflows of Resources	<u>2,809,669</u>
 Net Position	
Net Investment in Capital Assets	11,869
Restricted:	
Special Programs	21,535
Debt Service	27,360
Unrestricted	<u>(32,630)</u>
Total Net Position	<u>28,134</u>
Total Liabilities and Deferred Inflows of Resources and Net Position	<u>\$2,837,803</u>

See Accompanying Notes

MONTICELLO MONTESSORI PUBLIC CHARTER SCHOOL

Statement of Activities Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue And Changes in Net Position
		Charges For Services	Operating Grants And Contributions	Capital Grants And Contributions	Governmental Activities
Governmental Activities					
Instructional Programs					
Elementary School	\$569,238		\$53,628		(\$515,610)
Special Education	134,825		68,588		(66,237)
Gifted & Talented	1,211				(1,211)
School Activity	9,307				(9,307)
Support Service Programs					
Attendance - Guidance - Health	4,507		4,507		0
Instruction Improvement	27,451		26,811		(640)
Educational Media	0				0
Instruction-Related Technology	51,894		35,430		(16,464)
Board of Education	8,518				(8,518)
District Administration	177,509				(177,509)
Buildings - Care	55,560				(55,560)
Maintenance - Student Occupied	25,186				(25,186)
Maintenance - Grounds	5,468				(5,468)
Security	7,268				(7,268)
Pupil-To-School Transportation	67,975				(67,975)
Non-Instructional Programs					
Child Nutrition	0				0
Capital Assets - Student Occupied	37,742				(37,742)
Capital Assets - Non-Student Occupied	0				0
Debt Service - Principal	0				0
Debt Service - Interest	105,940				(105,940)
Total	\$1,289,599	\$0	\$188,964	\$0	(1,100,635)
General Revenues					
					29,867
					947,660
					0
					977,527
Change in Net Position					
					(123,108)
Net Position - Beginning					
					151,242
Net Position - Ending					
					\$28,134

Balance Sheet - Governmental Funds

June 30, 2017

	General Fund	Other Governmental Funds	Total Governmental Funds
Assets			
Cash	\$147,804	\$0	\$147,804
Receivables:			
Local Sources		0	0
State Sources	32,535	0	32,535
Federal Sources		111,424	111,424
Due From Other Funds	104,249	0	104,249
Total Assets	<u>\$284,588</u>	<u>\$111,424</u>	<u>\$396,012</u>
Liabilities			
Accounts Payable	\$950	\$5,108	\$6,058
Due To Other Funds		104,249	104,249
Unspent Grant Allocation		2,067	2,067
Total Liabilities	<u>950</u>	<u>111,424</u>	<u>112,374</u>
Fund Balances			
Restricted:			
Special Programs	21,535	0	21,535
Debt Service	27,360	0	27,360
Unassigned	234,743	0	234,743
Total Fund Balances	<u>283,638</u>	<u>0</u>	<u>283,638</u>
Total Liabilities and Fund Balances	<u>\$284,588</u>	<u>\$111,424</u>	<u>\$396,012</u>

Balance Sheet - Governmental Funds

June 30, 2017

Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities

Total Governmental Fund Balances	\$283,638
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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 funds.	2,263,079
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Certain liabilities are not due and payable in the current period and therefore are not reported in the funds.	(2,251,210)
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Net pension liability and related pension source deferred outflow and deferred inflow of resources, are not due and payable in the current period and therefore are not reported in the funds.	(267,373)
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Net Position of Governmental Activities	<u><u>\$28,134</u></u>
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Statement of Revenues, Expenditures, and Changes in
Fund Balances - Governmental Funds
Year Ended June 30, 2017

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues			
Local Revenue	\$29,867	\$31,609	\$61,476
State Revenue	947,660	39,937	987,597
Federal Revenue		117,418	117,418
Total Revenues	<u>977,527</u>	<u>188,964</u>	<u>1,166,491</u>
Expenditures			
Instructional Programs			
Elementary School	467,796	53,628	521,424
Special Education	42,723	80,777	123,500
Gifted & Talented	1,211	0	1,211
School Activity	9,307	0	9,307
Support Service Programs			
Attendance - Guidance - Health		4,507	4,507
Instruction Improvement	640	26,811	27,451
Educational Media		0	0
Instruction-Related Technology		51,894	51,894
Board of Education	8,518	0	8,518
District Administration	177,509	0	177,509
Buildings - Care	55,560	0	55,560
Maintenance - Student Occupied	25,186	0	25,186
Maintenance - Grounds	5,468	0	5,468
Security	7,268	0	7,268
Pupil-To-School Transportation	67,975	0	67,975
Non-Instructional Programs			
Child Nutrition		0	0
Capital Assets - Student Occupied		0	0
Capital Assets - Non-Student Occupied		0	0
Debt Service - Principal	43,380	0	43,380
Debt Service - Interest	105,940	0	105,940
Total Expenditures	<u>1,018,481</u>	<u>217,617</u>	<u>1,236,098</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(40,954)</u>	<u>(28,653)</u>	<u>(69,607)</u>
Other Financing Sources (Uses)			
Transfers In		12,189	12,189
Transfers Out	(12,189)	0	(12,189)
Total Other Financing Sources (Uses)	<u>(12,189)</u>	<u>12,189</u>	<u>0</u>
Net Change in Fund Balances	<u>(53,143)</u>	<u>(16,464)</u>	<u>(69,607)</u>
Fund Balances - Beginning	336,781	16,464	353,245
Fund Balances - Ending	<u>\$283,638</u>	<u>\$0</u>	<u>\$283,638</u>

Statement of Revenues, Expenditures, and Changes in
Fund Balances - Governmental Funds
Year Ended June 30, 2017

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities

Net Change in Fund Balances - Total Governmental Funds	(\$69,607)
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Amounts reported for governmental activities in the statement of activities are different because:

Government funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the excess of capital outlays over (under) depreciation expense in the current period.	(37,742)
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Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term debt in the statement of net position.	43,380
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Changes in net pension liability and related pension source deferred outflow and deferred inflow of resources do not provide or require current financial resources and therefore are not reflected in the funds.	(59,139)
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Change in Net Position of Governmental Activities	<u><u>(\$123,108)</u></u>
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MONTICELLO MONTESSORI PUBLIC CHARTER SCHOOL

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity – Monticello Montessori Public Charter School (the School) is organized as a nonprofit corporation providing public charter school educational services as authorized by Section 33 of Idaho Code.

Idaho Code Section 33-5210(3) requires charter schools to comply with the same financial reporting requirements imposed on school districts, i.e. – on a governmental, rather than nonprofit, basis of accounting. Additionally, enabling legislation creates charter schools as public entities, i.e. – as public schools, subject to provisions common with other governmental entities as set forth in Idaho Code Section 33-5204. Accordingly, the School's basis of presentation follows the governmental, rather than nonprofit, reporting model.

These financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as applied to charter schools. The governmental accounting standards board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the School are discussed below.

Basic Financial Statements - Government-Wide Statements – The School's basic financial statements include both government-wide (reporting the School as a whole) and fund financial statements (reporting the School's major funds). Both government-wide and fund financial statements categorize primary activities as either governmental or business type. Currently, all the School's activities are categorized as governmental activities.

In the government-wide statement of net position, the activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations.

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 government revenues as reported in the statement of activities. The statement of activities reduces gross expenses (including depreciation when recorded) by related program revenues and operating and capital grants. Program revenues must be directly associated with the function. Internal activity between funds (when two or more funds are involved) is eliminated in the government-wide statement of activities. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reports capital-specific grants.

The net costs (by function) are normally covered by general revenues.

The School reports expenditures in accordance with the State Department of Education's "Idaho Financial Accounting Reporting Management System" (IFARMS). IFARMS categorizes all expenditures by function, program and object. Accordingly, there is no allocation of indirect costs.

MONTICELLO MONTESSORI PUBLIC CHARTER SCHOOL

Notes to Financial Statements

The government-wide focus is more on the sustainability of the School as an entity and the change in the School's net position resulting from the current year's activities. Fiduciary funds, when present, are not included in the government-wide statements.

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 comprises its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues and expenditures/expenses.

The emphasis in fund financial statements is on the major funds. Nonmajor funds by category are summarized into a single column. Generally accepted accounting principles set forth minimum criteria (percentage of assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues or expenditures/expenses of the funds) for the determination of major funds.

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. Major governmental funds of the School include:

General Fund – The general fund is the School's primary operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Basis of Accounting – Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Activities in the government-wide and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual (when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or within thirty days after year end. Expenditures are recorded when the related fund liability is incurred. Exceptions to this general rule include principal and interest on long-term debt which, if any, are recognized when due and payable.

Cash – Nearly all the cash balances of the School's funds are pooled for investment purposes. The individual funds' portions of the pooled cash are reported in each fund as cash. Interest earned on pooled cash is paid to the general fund unless Idaho Code specifies otherwise.

Receivables – Receivables are reported net of any estimated uncollectible amounts.

MONTICELLO MONTESSORI PUBLIC CHARTER SCHOOL

Notes to Financial Statements

Inventories – Material supplies on hand at year end are stated at cost using the first-in, first-out method.

Capital Assets and Depreciation – Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at acquisition value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation over the estimated useful lives of depreciable assets is recorded using the straight line method.

Compensated Absences – The School provides certain compensated absences to its employees. The estimated amount of compensation for future amounts is deemed to be immaterial and, accordingly, no liability is recorded.

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

Net Position – Net position is assets plus deferred outflows of resources less liabilities less deferred inflows of resources. The net investment in capital assets component of net position consists of the historical cost of capital assets less accumulated depreciation less any outstanding debt that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets. Restricted net position consists of assets that are restricted by creditors, grantors, contributors, legislation, and other parties. All other net position not reported as restricted or net investment in capital assets is reported as unrestricted.

Fund Balance Classifications – Restrictions of the fund balance indicate portions that are legally or contractually segregated for a specific future use. Nonspendable portions of the fund balance are those amounts that cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact. Committed portions represent amounts that can only be used for specific purposes pursuant to formal action (i.e. board approval) of the reporting entity's governing body. Assigned portions represent amounts that are constrained by the government's intent to be used for a specific purpose. Remaining fund balances are reported as unassigned. When expenditures are incurred that qualify for either restricted or unrestricted resources, the School first utilizes restricted resources. When expenditures are incurred that qualify for either committed or assigned or unassigned resources, the School first utilizes committed resources then assigned resources before using unassigned resources.

Income Taxes – The School is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code except for income, if any, derived from unrelated business activities. The School's Form 990, Return of Organization Exempt from Income Tax, for the fiscal years ending 2017, 2016, and 2015 are subject to examination by the IRS, generally for three years after they are filed.

MONTICELLO MONTESSORI PUBLIC CHARTER SCHOOL

Notes to Financial Statements

Contingent Liabilities – Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the School expects such amounts, if any, to be immaterial.

Interfund Activity – Interfund activity is reported either as loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

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

Concentrations of Credit Risk – The School maintains its cash at insured financial institutions. Periodically, balances may exceed federally insured limits. The School does not have a formal policy concerning concentrations of credit risk.

Risk Management – The School is exposed to various risks related to its operations. Insurance is utilized to the extent practical to minimize these risks.

Subsequent Events – Subsequent events were evaluated through the date of the auditor's report, which is the date the financial statements were available to be issued.

B. CASH

Cash consists of the following at year end:

Cash - Deposits	\$147,804
Total	<u><u>\$147,804</u></u>

Deposits – At year end, the carrying amounts of the School's deposits were \$147,804 and the bank balances were \$199,765. The bank balances were insured.

Investments – State statutes authorize government entities to invest in certain bonds, notes, accounts, investment pools, and other obligations of the state, U.S. Government, and U.S. corporations pursuant to Idaho Code 67-1210 and 67-1210A. These statutes are designed to help minimize the custodial risk that deposits may not be returned in the event of the failure of the issuer or other counterparty, interest rate risk resulting from fair value losses arising from rising interest

MONTICELLO MONTESSORI PUBLIC CHARTER SCHOOL

Notes to Financial Statements

rates, or credit risks that an issuer or other counterparty will not fulfill its obligations. The School's investment policy complies with state statutes.

C. RECEIVABLES

Receivables consist of the following at year end:

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Total</u>
State Sources			
Foundation Program	<u>\$32,535</u>		<u>\$32,535</u>
Total	<u><u>\$32,535</u></u>		<u><u>\$32,535</u></u>
Federal Sources			
Special Programs		<u>\$111,424</u>	<u>\$111,424</u>
Total		<u><u>\$111,424</u></u>	<u><u>\$111,424</u></u>

D. CAPITAL ASSETS

A summary of capital assets for the year is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Nondepreciable Capital Assets				
Land	<u>\$613,212</u>			<u>\$613,212</u>
Total	<u><u>613,212</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>613,212</u></u>
Depreciable Capital Assets				
Buildings	1,839,637			1,839,637
Equipment	<u>9,495</u>			<u>9,495</u>
Subtotal	<u>1,849,132</u>	<u>0</u>	<u>0</u>	<u>1,849,132</u>
Accumulated Depreciation				
Buildings	156,368	36,793		193,161
Equipment	<u>5,155</u>	<u>949</u>		<u>6,104</u>
Subtotal	<u>161,523</u>	<u>37,742</u>	<u>0</u>	<u>199,265</u>
Total	<u><u>1,687,609</u></u>	<u><u>(37,742)</u></u>	<u><u>0</u></u>	<u><u>1,649,867</u></u>
Net Capital Assets	<u><u>\$2,300,821</u></u>	<u><u>(\$37,742)</u></u>	<u><u>\$0</u></u>	<u><u>\$2,263,079</u></u>

Depreciation expense of \$37,742 was charged to the capital assets – student occupied program.

MONTICELLO MONTESSORI PUBLIC CHARTER SCHOOL

Notes to Financial Statements

E. LONG-TERM DEBT

At year end, the School's notes payable were as follows:

Note payable USDA 97-02, due in monthly payments of \$4,560 with interest at 3.375% through 2052/53, secured by real estate, paid through the general fund	\$1,125,446
Note payable BOI, due in monthly payments of \$7,202 with interest at 5.87% through 2042/43, secured by real estate and guaranteed by the U.S. government, paid through the general fund	<u>1,125,764</u>
Total	<u><u>\$2,251,210</u></u>

Maturities on the notes are estimated as follows:

<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>
6/30/18	\$37,894	\$103,248
6/30/19	39,737	101,405
6/30/20	41,676	99,466
6/30/21	43,715	97,427
6/30/22	45,863	95,279
6/30/23-27	265,681	440,029
6/30/28-32	339,185	366,525
6/30/33-37	434,593	271,117
6/30/38-42	533,142	147,085
6/30/43-47	211,370	62,230
6/30/48-52	250,165	23,435
6/30/53	8,189	34
Total	<u><u>\$2,251,210</u></u>	<u><u>\$1,807,280</u></u>

Changes in long-term debt are as follows:

<u>Description</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Note Payable USDA 97-02	\$1,141,879		\$16,433	\$1,125,446	\$16,998
Note Payable BOI	1,144,564		18,800	1,125,764	20,896
Note Payable DOME	8,147		8,147	0	
Total	<u><u>\$2,294,590</u></u>	<u><u>\$0</u></u>	<u><u>\$43,380</u></u>	<u><u>\$2,251,210</u></u>	<u><u>\$37,894</u></u>

Interest and related costs during the year amounted to \$105,940 and were charged to the debt service – interest program.

MONTICELLO MONTESSORI PUBLIC CHARTER SCHOOL

Notes to Financial Statements

F. PENSION PLAN

Plan Description

The School contributes to the Base Plan which is a cost-sharing multiple-employer defined benefit pension plan administered by Public Employee Retirement System of Idaho (PERSI or System) that covers substantially all employees of the State of Idaho, its agencies and various participating political subdivisions. The cost to administer the plan is financed through the contributions and investment earnings of the plan. PERSI issues a publicly available financial report that includes financial statements and the required supplementary information for PERSI. That report may be obtained on the PERSI website at www.persi.idaho.gov.

Responsibility for administration of the Base Plan is assigned to the Board comprised of five members appointed by the Governor and confirmed by the Idaho Senate. State law requires that two members of the Board be active Base Plan members with at least ten years of service and three members who are Idaho citizens not members of the Base Plan except by reason of having served on the Board.

Pension Benefits

The Base Plan provides retirement, disability, death and survivor benefits of eligible members or beneficiaries. Benefits are based on members' years of service, age, and highest average salary. Members become fully vested in their retirement benefits with five years of credited service (5 months for elected or appointed officials). Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. The annual service retirement allowance for each month of credited service is 2.0% (2.3% for police/firefighters) of the average monthly salary for the highest consecutive 42 months.

The benefit payments for the Base Plan are calculated using a benefit formula adopted by the Idaho Legislature. The Base Plan is required to provide a 1% minimum cost of living increase per year provided the Consumer Price Index increases 1% or more. The PERSI Board has the authority to provide higher cost of living increases to a maximum of the Consumer Price Index movement or 6%, whichever is less; however, any amount above the 1% minimum is subject to review by the Idaho Legislature.

Member and Employer Contributions

Member and employer contributions paid to the Base Plan are set by statute and are established as a percent of covered compensation. Contribution rates are determined by the PERSI Board within limitations, as defined by state law. The Board may make periodic changes to employer and employee contribution rates (expressed as percentages of annual covered payroll) that are adequate to accumulate sufficient assets to pay benefits when due.

The contribution rates for employees are set by statute at 60% of the employer rate for general employees and 72% for police and firefighters. As of June 30, 2016 it was 6.79% for general

MONTICELLO MONTESSORI PUBLIC CHARTER SCHOOL

Notes to Financial Statements

employees and 8.36% for police and firefighters. The employer contribution rate as a percent of covered payroll is set by the Retirement Board and was 11.32% for general employees and 11.66% for police and firefighters. The School's contributions were \$71,899 for the year ended June 30, 2017.

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

At June 30, 2017, the School reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School's proportion of the net pension liability was based on the School's share of contributions in the Base Plan pension plan relative to the total contributions of all participating PERSI Base Plan employers. At June 30, 2016, the School's proportion was 0.0204573 percent.

For the year ended June 30, 2017, the School recognized pension expense (revenue) of \$131,038. At June 30, 2017, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		\$41,322
Changes in assumptions or other inputs	\$9,219	
Net difference between projected and actual earnings on pension plan investments	201,843	94,311
Employer contributions subsequent to the measurement date	71,899	
Total	\$282,961	\$135,633

\$71,899 reported as deferred outflows of resources related to pensions resulting from School contributions made subsequent to the measurement date will be recognized as an addition to the plan pension expense or reduction of the plan pension revenue in the year ending June 30, 2018.

The average of the expected remaining service lives of all employees that are provided with pensions through the System (active and inactive employees) determined at July 1, 2015 the beginning of the measurement period ended June 30, 2016 is 4.9 and 5.5 for the measurement period June 30, 2015.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

MONTICELLO MONTESSORI PUBLIC CHARTER SCHOOL

Notes to Financial Statements

Year Ended	
6/30/18	\$421
6/30/19	421
6/30/20	48,112
6/30/21	26,474
Total	<u><u>\$75,428</u></u>

Actuarial Assumptions

Valuations are based on actuarial assumptions, the benefit formulas, and employee groups. Level percentages of payroll normal costs are determined using the Entry Age Normal Cost Method. Under the Entry Age Normal Cost Method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated as a level percentage of each year's earnings of the individual between entry age and assumed exit age. The Base Plan amortizes any unfunded actuarial accrued liability based on a level percentage of payroll. The maximum amortization period for the Base Plan permitted under Section 59-1322, Idaho Code, is 25 years.

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%
Salary increases	4.25 – 10.00%
Salary inflation	3.75%
Investment rate of return	7.10%, net of investment expenses
Cost-of-living adjustments	1%

Mortality rates were based on the RP – 2000 combined table for healthy males or females as appropriate with the following offsets:

- Set back 3 years for teachers
- No offset for male fire and police
- Forward one year for female fire and police
- Set back one year for all general employees and all beneficiaries

An experience study was performed for the period July 1, 2007 through June 30, 2013 which reviewed all economic and demographic assumptions other than mortality. Mortality and all economic assumptions were studied in 2014 for the period from July 1, 2009 through June 30, 2013. The total pension liability as of June 30, 2016 is based on the results of an actuarial valuation date of July 1, 2016.

The long-term expected rate of return on pension plan investments was determined using the building block approach and a forward-looking model in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation)

MONTICELLO MONTESSORI PUBLIC CHARTER SCHOOL

Notes to Financial Statements

are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Even though history provides a valuable perspective for setting the investment return assumption, the System relies primarily on an approach which builds upon the latest capital market assumptions. Specifically, the System uses consultants, investment managers and trustees to develop capital market assumptions in analyzing the System's asset allocation. The assumptions and the System's formal policy for asset allocation are shown below. The formal asset allocation policy is somewhat more conservative than the current allocation of System's assets.

The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are as of January 1, 2016.

Capital Market Assumptions

Asset Class	Expected Return*	Expected Risk	Strategic Normal	Strategic Ranges
Equities			70%	66% - 77%
Broad Domestic Equities	9.15%	19.00%	55%	50% - 65%
International	9.25%	20.20%	15%	10% - 20%
Fixed Income	3.05%	3.75%	30%	23% - 33%
Cash	2.25%	0.90%	0%	0% - 5%
			Expected	
	Expected	Expected	Real	Expected
Total Fund	Return*	Inflation	Return	Risk
Actuary	7.00%	3.25%	3.75%	N/A
Portfolio	6.58%	2.25%	4.33%	12.67%

*Expected arithmetic return net of fees and expenses

Actuarial Assumptions

Assumed Inflation - Mean	3.25%
Assumed Inflation - Standard Deviation	2.00%
Portfolio Arithmetic Mean Return	8.42%
Portfolio Long-Term Expected Geometric Rate of Return	7.50%
Assumed Investment Expenses	0.40%
Long-Term Expected Geometric Rate of Return, Net of Investment Expenses	<u>7.10%</u>

Discount Rate

The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate. Based on these assumptions, the pension plans' net position

MONTICELLO MONTESSORI PUBLIC CHARTER SCHOOL

Notes to Financial Statements

was projected to be available to make all projected future benefit payments of current plan members. 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. The long-term expected rate of return was determined net of pension plan investment expense but without reduction for pension plan administrative expense.

Sensitivity of the School's proportionate share of the net pension liability to changes in the discount rate.

The following presents the School's proportionate share of the net pension liability calculated using the discount rate of 7.10 percent, as well as what the School's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10 percent) or 1-percentage-point higher (8.10 percent) than the current rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
School's proportionate share of the net pension liability (asset)	\$813,496	\$414,701	\$83,059

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERSI financial report.

PERSI issues a publicly available financial report that includes financial statements and the required supplementary information for PERSI. That report may be obtained on the PERSI website at www.persi.idaho.gov.

G. INTERFUND BALANCES AND TRANSFERS

Interfund balances at year end consist of the following:

	Due From Fund	
	Governmental	Total
Due To Fund		
General	\$104,249	\$104,249
Total	\$104,249	\$104,249

Interfund balances resulted from the time lag between when expenditures are incurred in a fund and when the fund is reimbursed for such expenditures.

MONTICELLO MONTESSORI PUBLIC CHARTER SCHOOL

Notes to Financial Statements

Interfund transfers during the year consist of the following:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>	<u>Purpose</u>
General		\$12,189	Support
Nonmajor Governmental	\$12,189		Support
Total	<u>\$12,189</u>	<u>\$12,189</u>	

REQUIRED SUPPLEMENTARY INFORMATION

MONTICELLO MONTESSORI PUBLIC CHARTER SCHOOL

Budgetary Comparison Schedule - General Fund

Year Ended June 30, 2017

General Fund	Budgeted Amounts		Actual	Final Budget
	(GAAP Basis)			Amounts
	Original	Final		Positive
				(Negative)
Revenues				
Local Revenue	\$88,467	\$88,467	\$29,867	(\$58,600)
State Revenue	1,175,404	1,175,404	947,660	(227,744)
Federal Revenue	0	0	0	0
Total Revenues	1,263,871	1,263,871	977,527	(286,344)
Expenditures				
Instructional Programs				
Elementary School	490,530	490,530	467,796	22,734
Special Education	80,000	80,000	42,723	37,277
Gifted & Talented	3,280	3,280	1,211	2,069
School Activity	0	0	9,307	(9,307)
Support Service Programs				
Attendance - Guidance - Health	0	0	0	0
Instruction Improvement	0	0	640	(640)
Educational Media	0	0	0	0
Instruction-Related Technology	0	0	0	0
Board of Education	15,900	15,900	8,518	7,382
District Administration	164,930	164,930	177,509	(12,579)
Buildings - Care	45,600	45,600	55,560	(9,960)
Maintenance - Student Occupied	11,920	11,920	25,186	(13,266)
Maintenance - Grounds	3,000	3,000	5,468	(2,468)
Security	0	0	7,268	(7,268)
Pupil-To-School Transportation	64,000	64,000	67,975	(3,975)
Non-Instructional Programs				
Child Nutrition	0	0	0	0
Capital Assets - Student Occupied	37,613	37,613	0	37,613
Capital Assets - Non-Student Occupied	0	0	0	0
Debt Service - Principal	0	0	43,380	(43,380)
Debt Service - Interest	153,410	153,410	105,940	47,470
Total Expenditures	1,070,183	1,070,183	1,018,481	51,702 *
Excess (Deficiency) of Revenues				
Over Expenditures	193,688	193,688	(40,954)	(234,642)
Other Financing Sources (Uses)				
Transfers In	0	0	0	0
Transfers Out	0	0	(12,189)	(12,189) *
Total Other Financing Sources (Uses)	0	0	(12,189)	(12,189)
Net Change in Fund Balances	193,688	193,688	(53,143)	(246,831)
Fund Balances - Beginning	57,500	57,500	336,781	(279,281)
Fund Balances - Ending	\$251,188	\$251,188	\$283,638	(\$526,112)

**Total expenditures (over) under appropriations are: \$39,513*

MONTICELLO MONTESSORI PUBLIC CHARTER SCHOOL

Schedule of Employer's Share of Net Pension Liability

PERSI - Base Plan

Last 10 - Fiscal Years*

	<u>2016</u>	<u>2015</u>	<u>2014</u>
School's portion of the net pension liability	0.0204573%	0.0168943%	0.0156698%
School's proportionate share of the net pension liability	\$414,701	\$222,470	\$115,354
School's covered payroll	\$598,551	\$475,848	\$424,514
School's proportional share of the net pension liability as a percentage of its covered payroll	69.28%	46.75%	27.17%
Plan fiduciary net position as a percentage of the total pension liability	87.26%	91.38%	94.95%

*GASB 68 requires ten years of information to be presented in this table. However, until a 10-year trend is compiled, only those years for which information is available will be presented.

Data reported is measured as of June 30.

MONTICELLO MONTESSORI PUBLIC CHARTER SCHOOL

Schedule of Employer Contributions

PERSI - Base Plan

Last 10 - Fiscal Years*

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$71,899	\$67,756	\$53,866
Contributions in relation to the statutorily required contribution	\$71,899	\$67,756	\$53,866
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School's covered payroll	<u>\$635,150</u>	<u>\$598,551</u>	<u>\$475,848</u>
Contributions as a percentage of covered payroll	11.32%	11.32%	11.32%

*GASB 68 requires ten years of information to be presented in this table. However, until a 10-year trend is compiled, only those years for which information is available will be presented.

Data reported is measured as of each year's fiscal year end.

SUPPLEMENTARY INFORMATION

MONTICELLO MONTESSORI PUBLIC CHARTER SCHOOL Page 1 of 2
 Combining Balance Sheet - Nonmajor Governmental Funds
 June 30, 2017

	Special Revenue Funds			
	Medicaid	Technology	Substance Abuse	Title I-A ESEA IBP
Assets				
Cash				
Receivables:				
Local Sources				
State Sources				
Federal Sources				\$54,623
Due From Other Funds				
Total Assets	\$0	\$0	\$0	\$54,623
Liabilities				
Accounts Payable				\$5,108
Due To Other Funds				48,520
Unspent Grant Allocation				995
Total Liabilities	\$0	\$0	\$0	54,623
Fund Balances				
Restricted:				
Special Programs				
Debt Service				
Unassigned				
Total Fund Balances	0	0	0	0
Total Liabilities and Fund Balances	\$0	\$0	\$0	\$54,623

MONTICELLO MONTESSORI PUBLIC CHARTER SCHOOL Page 2 of 2
 Combining Balance Sheet - Nonmajor Governmental Funds
 June 30, 2017

	Special Revenue Funds		
	Special Educ. IDEA Part B School-Age	Title II-A Improving Teacher Quality	Total
Assets			
Cash			\$0
Receivables:			
Local Sources			0
State Sources			0
Federal Sources	\$33,556	\$23,245	111,424
Due From Other Funds			0
Total Assets	<u>\$33,556</u>	<u>\$23,245</u>	<u>\$111,424</u>
Liabilities			
Accounts Payable			\$5,108
Due To Other Funds	\$33,556	\$22,173	104,249
Unspent Grant Allocation		1,072	2,067
Total Liabilities	<u>33,556</u>	<u>23,245</u>	<u>111,424</u>
Fund Balances			
Restricted:			
Special Programs			0
Debt Service			0
Unassigned			0
Total Fund Balances	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities and Fund Balances	<u>\$33,556</u>	<u>\$23,245</u>	<u>\$111,424</u>

Combining Statement of Revenues, Expenditures, and Changes in
Fund Balances - Nonmajor Governmental Funds
Year Ended June 30, 2017

	Special Revenue Funds			
	Medicaid	Technology	Substance Abuse	Title I-A ESEA IBP
Revenues				
Local Revenue	\$31,609			
State Revenue		\$35,430	\$4,507	
Federal Revenue				\$53,628
Total Revenues	<u>31,609</u>	<u>35,430</u>	<u>4,507</u>	<u>53,628</u>
Expenditures				
Instructional Programs				
Elementary School				53,628
Special Education	43,798			
Gifted & Talented				
School Activity				
Support Service Programs				
Attendance - Guidance - Health			4,507	
Instruction Improvement				
Educational Media				
Instruction-Related Technology		51,894		
Board of Education				
District Administration				
Buildings - Care				
Maintenance - Student Occupied				
Maintenance - Grounds				
Security				
Pupil-To-School Transportation				
Non-Instructional Programs				
Child Nutrition				
Capital Assets - Student Occupied				
Capital Assets - Non-Student Occupied				
Debt Service - Principal				
Debt Service - Interest				
Total Expenditures	<u>43,798</u>	<u>51,894</u>	<u>4,507</u>	<u>53,628</u>
Excess (Deficiency) of Revenues Over Expenditures	(12,189)	(16,464)	0	0
Other Financing Sources (Uses)				
Transfers In	12,189			
Transfers Out				
Total Other Financing Sources (Uses)	<u>12,189</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	0	(16,464)	0	0
Fund Balances - Beginning	0	16,464	0	0
Fund Balances - Ending	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

MONTICELLO MONTESSORI PUBLIC CHARTER SCHOOL Page 2 of 2
 Combining Statement of Revenues, Expenditures, and Changes in
 Fund Balances - Nonmajor Governmental Funds
 Year Ended June 30, 2017

	<u>Special Revenue Funds</u>		
	<u>Special Educ. IDEA Part B School-Age</u>	<u>Title II-A Improving Teacher Quality</u>	<u>Total</u>
Revenues			
Local Revenue			\$31,609
State Revenue			39,937
Federal Revenue	\$36,979	\$26,811	117,418
Total Revenues	<u>36,979</u>	<u>26,811</u>	<u>188,964</u>
Expenditures			
Instructional Programs			
Elementary School			53,628
Special Education	36,979		80,777
Gifted & Talented			0
School Activity			0
Support Service Programs			
Attendance - Guidance - Health			4,507
Instruction Improvement		26,811	26,811
Educational Media			0
Instruction-Related Technology			51,894
Board of Education			0
District Administration			0
Buildings - Care			0
Maintenance - Student Occupied			0
Maintenance - Grounds			0
Security			0
Pupil-To-School Transportation			0
Non-Instructional Programs			
Child Nutrition			0
Capital Assets - Student Occupied			0
Capital Assets - Non-Student Occupied			0
Debt Service - Principal			0
Debt Service - Interest			0
Total Expenditures	<u>36,979</u>	<u>26,811</u>	<u>217,617</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	(28,653)
Other Financing Sources (Uses)			
Transfers In			12,189
Transfers Out			0
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>12,189</u>
Net Change in Fund Balances	<u>0</u>	<u>0</u>	<u>(16,464)</u>
Fund Balances - Beginning	<u>0</u>	<u>0</u>	<u>16,464</u>
Fund Balances - Ending	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

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**Independent Auditor's 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***

Board of Directors
Monticello Montessori Public Charter School

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Monticello Montessori Public Charter School (the School), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated October 16, 2017.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Quest CPAs PLLC

Payette, Idaho
October 16, 2017