

FINANCIAL STATEMENTS
WASHINGTON MONTESSORI PUBLIC CHARTER SCHOOL
WASHINGTON, NORTH CAROLINA
JUNE 30, 2017

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FINANCIAL SECTION

WASHINGTON MONTESSORI PUBLIC CHARTER SCHOOL

WILSON, NORTH CAROLINA

JUNE 30, 2017

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Independent Auditor's Report

Board of Directors
Washington Montessori Public Charter School
Washington, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Washington Montessori Public Charter School, North Carolina, 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 from 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, the business-type activities, each major fund, and the aggregate remaining fund information of Washington Montessori Public Charter School, as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows 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 management's discussion and analysis on pages 7-14 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.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Washington Preparatory School's basic financial statements. The combining and individual non-major fund financial statements, budgetary schedules and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal and State Awards is presented for purposes of additional analysis as required by the Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual non-major fund financial statements, budgetary schedules, other schedules, as well as the accompanying Schedule of Expenditures of Federal and State Awards 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. 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 to 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 non-major fund financial statements, budgetary schedules, other schedules, and the accompanying Schedule of Expenditures of Federal and State Awards 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 September 21, 2017, on our consideration of Washington Montessori Public Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Washington Montessori Public Charter School's internal control over financial reporting and compliance.



Rebekah Barr, CPA PC
Certified Public Accountant
Wilson, North Carolina

September 21, 2017

Management's Discussion and Analysis
Washington Montessori, Inc.
June 30, 2017

As management of Washington Montessori, Inc., we offer readers of Washington Montessori, Inc.'s financial statements this narrative overview and analysis of the financial activities of Washington Montessori, Inc. for the fiscal year ended June 30, 2017. 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.

Financial Highlights

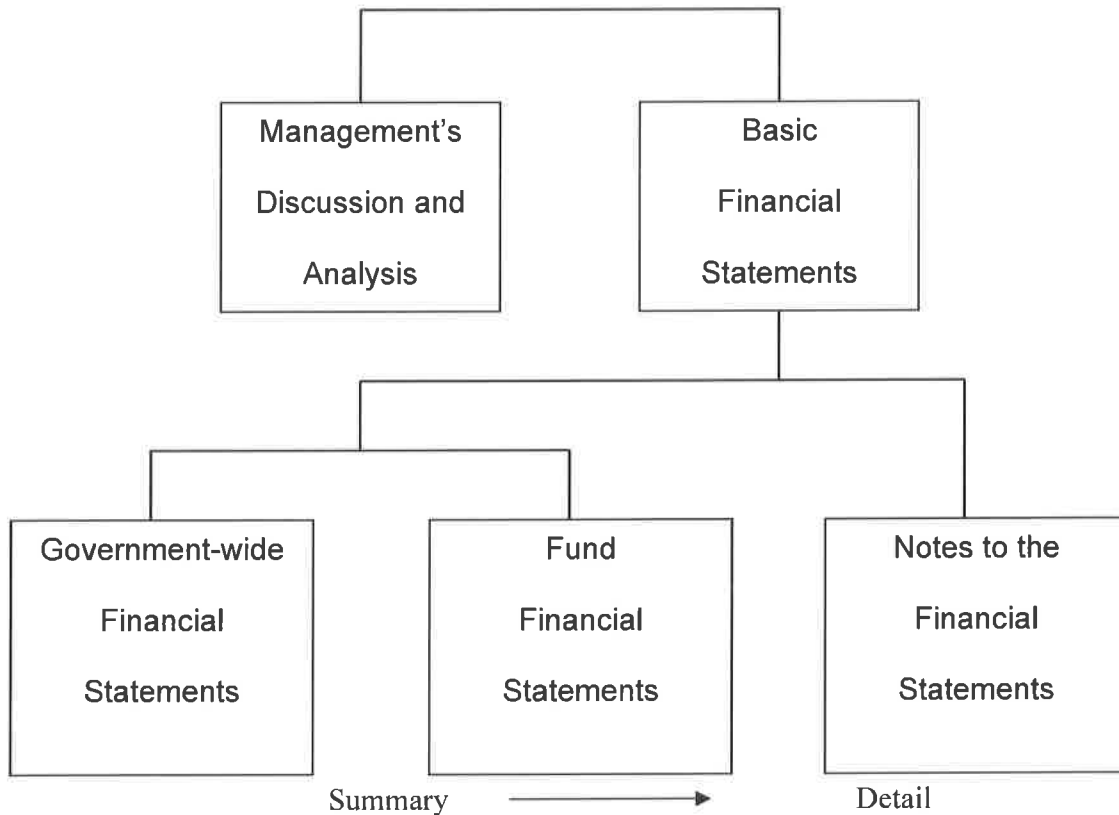
- The assets of Washington Montessori, Inc. exceeded its liabilities and deferred inflows at the close of the fiscal year by \$2,163,307 (*net position*).
- The school's total net position increased by \$12,819.
- As of the close of the current fiscal year, Washington Montessori, Inc.'s governmental funds reported combined ending fund balances of \$961,785, an increase of \$70,953 in comparison with the prior year.
- Enrollment continues to increase at the School, rising by 43 students this past year, a 12% increase.
- Washington Montessori, Inc.'s total debt decreased by \$147,969 during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Washington Montessori, Inc.'s basic 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 (see Figure 1). 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 Washington Montessori, Inc.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (Exhibits 1 and 2) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the School's financial status.

The next statements (Exhibits 3 through 7) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the School's government. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements: 1) the governmental funds statements; and 2) the proprietary fund 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 those statements. After the notes, **supplemental information** is provided to show details about the School's individual funds. Budgetary information for the School also can be found in this section of the statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the School's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the School's financial status as a whole.

The two government-wide statements report the School's net position and how it have changed. Net position is the difference between the School's total assets and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the School's financial condition.

The government-wide statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include most of the School's basic functions such as instructional services and business services. State, county, and federal funds provide virtually all of the funding for these functions. The business-type activities are those services for which the School charges its students and other customers to provide. These include the Before and After School care and Day School services offered by Washington Montessori, Inc.

Fund Financial Statements

The fund financial statements provide a more detailed look at the School's most significant activities. 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. Washington Montessori, Inc., like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the North Carolina General Statutes or the School's budget ordinance. All of the funds of Washington Montessori, Inc. can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the School's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* that provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the School's programs. The relationship between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

Washington Montessori, Inc. adopts an annual budget for each of its funds, although it is not required to do so by the General Statutes. Because the budget is not legally required by the statutes, the budgetary comparison statements are not included in the basic financial statements, but are part of the supplemental statements and schedules that follow the notes. The budget is a legally adopted document that incorporates input from the faculty, management, and the Board of Directors of the School in determining what

Management Discussion and Analysis
Washington Montessori, Inc.
June 30, 2017

activities will be pursued and what services will be provided by the School during the year. It also authorizes the School to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for each of the funds demonstrates how well the School has complied with the budget ordinance and whether or not the School has succeeded in providing the services as planned when the budget was adopted.

Proprietary Funds – Washington Montessori, Inc. has two proprietary funds, both of which are enterprise funds. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. Washington Montessori, Inc. uses enterprise funds to account for its Day School and its Before and after School care programs.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 23 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may, over time, serve as one useful indicator of a school's financial condition. As of June 30, 2017, the net position of Washington Montessori, Inc. stood at \$2,163,307. The School's net position increased by \$12,819 for the fiscal year ended June 30, 2017, compared to a decrease of \$150,811 in 2016. One of the largest portions reflects the School's investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. Washington Montessori, Inc. uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although Washington Montessori, Inc.'s net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion (9.9%) is restricted for debt service. The remaining balance of \$1,009,586 is unrestricted. In 2016, the amount of net investment in capital assets was \$1,130,109, with unrestricted net position standing at \$806,479.

Washington Montessori, Inc.'s Net Position

Figure 2

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 968,906	\$ 893,581	\$ 90,040	\$ 163,077	\$ 1,058,946	\$ 1,056,658
Capital assets	5,773,540	5,955,735	49,130	-	5,822,670	5,955,735
Total assets	\$ 6,742,446	\$ 6,849,316	\$ 139,170	\$ 163,077	\$ 6,881,616	\$ 7,012,393
Long-term liabilities outstanding	\$ 4,533,454	\$ 4,726,952	\$ -	\$ -	\$ 4,533,454	\$ 4,726,952
Other liabilities	184,855	134,954	-	-	184,855	134,954
Total liabilities	\$ 4,718,309	\$ 4,861,906	\$ -	\$ -	\$ 4,718,309	\$ 4,861,906
Net Position:						
Net investment in capital assets	\$ 890,478	\$ 1,130,109	\$ 49,130	\$ -	\$ 939,608	\$ 1,130,109
Restricted for debt service	214,113	213,899	-	-	214,113	213,899
Unrestricted	919,546	643,402	90,040	163,077	1,009,586	806,479
Total Net Position	\$ 2,024,137	\$ 1,987,410	\$ 139,170	\$ 163,077	\$ 2,163,307	\$ 2,150,487

Several particular aspects of the School's financial operations positively influenced the total unrestricted governmental net position:

- The School adopted an annual budget for all funds. The School's performance was measured using these budgets on a monthly basis, allowing changes in spending as needed to stay within the budget.
- The School applied for and was awarded several federal grants to assist with the expenses of meeting the education needs of special needs children.
- Funding is proportionate to the student population.

Washington Montessori, Inc. Changes in Net Position

Figure 3

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
General revenues:			140,347	136,176	140,347	136,176
County, State, and Federal funds	3,054,811	2,669,425	-	-	3,054,811	2,669,425
Grants and contributions not restricted to specific programs	1,414	6,173	-	-	1,414	6,173
Other	25,319	118,086	-	-	25,319	118,086
Total revenues	3,081,544	2,793,684	140,347	136,176	3,221,891	2,929,860
Expenses:						
Instructional services	2,511,720	2,234,929	-	-	2,511,720	2,234,929
System-wide support services	295,988	565,194	-	-	295,988	565,194
Before and After School			113,958	67,656	113,958	67,656
Day School	-	-	50,297	72,805	50,297	72,805
Non- program charges	-	6,305	-	-	-	6,305
Interest on long-term debt	237,109	133,782	-	-	237,109	133,782
Total expenses	3,044,817	2,940,210	164,255	140,461	3,209,072	3,080,671
Increase in net position before transfers	36,727	(146,526)		(4,285)	12,819	(150,811)
Transfers					-	-
Increase (decrease) in net position	36,727	(146,526)	(23,908)	(4,285)	12,819	(150,811)
Net position, July 1	1,987,410	2,133,936	163,078	167,363	2,150,488	2,301,299
Net position, June 30	\$ 2,024,137	\$ 1,987,410	\$ 139,170	\$ 163,078	\$ 2,163,307	\$ 2,150,488

Financial Analysis of the School's Funds

As noted earlier, Washington Montessori, Inc. uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of Washington Montessori, Inc.'s governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing Washington Montessori, Inc.'s financing requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

Management Discussion and Analysis
Washington Montessori, Inc.
June 30, 2017

The general fund is the chief operating fund of Washington Montessori, Inc. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$747,672, while total fund balance reached \$961,785.

At June 30, 2017, the governmental funds of Washington Montessori, Inc. reported a combined fund balance of \$961,785 a .93% increase from last year.

Proprietary Funds. The School's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the School Before and After Care and Day School Funds at the end of the fiscal year amounted to \$139,170. The total decrease in net position for the Before and After Care and Day School fund was \$23,548. Primary factor influencing the net decrease is the purchase of the two school vans.

Capital Asset and Debt Administration

Capital assets. Washington Montessori, Inc.'s investment in capital assets for its governmental and business-type activities as of June 30, 2017, totals \$5,570,302 (net of accumulated depreciation). These assets include a land, buildings, equipment and furniture, land improvements, playground equipment and electronic equipment.

Washington Montessori's Capital Assets (Net of Depreciation)

Figure 4

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land & Buildings	\$ 5,762,770	\$ 5,937,295	\$ -	\$ -	\$ 5,762,770	\$ 5,937,295
Furniture and equipment	10,770	18,440	49,130	-	59,900	18,440
Total	\$ 5,773,540	\$ 5,955,735	\$ 49,130	\$ -	\$ 5,822,670	\$ 5,955,735

Additional information on the School's capital assets can be found in the notes of the Basic Financial Statements.

Long-term Debt. As of June 30, 2017, Washington Montessori, Inc. had total debt outstanding of \$4,711,188. The debt consists of mortgages on facilities and compensated absences.

**Washington Montessori's Outstanding Debt
Note Payable and Capital Leases**

Figure 3

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Mortgage loans	\$ 4,679,824	\$ 4,825,626	\$ -	\$ -	\$ 4,679,824	\$ 4,825,626
Compensated leave	31,364	33,531	-	-	31,364	33,531
Total long term obligations	<u>\$ 4,711,188</u>	<u>\$ 4,859,157</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,711,188</u>	<u>\$ 4,859,157</u>

The Washington Montessori's total debt decreased by \$147,969 during the past fiscal year.

Economic Factors

The following key economic indicators reflect the growth and prosperity of the School:

- The Average Daily Membership (ADM) for the school increased by approximately 50 students.
- The Board of directors has carefully tracked the Fund Balance and has internally set it aside for future possible improvements.

Requests for Information

This report is designed to provide an overview of the 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 Finance Officer, Washington Montessori, 2330 Old bath Highway, Washington NC 27889, telephone (252) 946-1977.

Washington Montessori Public Charter School
Statement of Net Position
June 30, 2017

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
ASSETS			
Cash and cash equivalents	\$ 754,793	\$ 90,040	\$ 844,833
Restricted cash	214,113	-	214,113
Due from other governments	-	-	-
Accounts receivable - trade	-	-	-
Prepaid expenses	-	-	-
Security deposits	-	-	-
Capital assets:			
Land, improvements, and construction in progress	203,238	-	203,238
Other capital assets, net of depreciation	5,570,302	49,130	5,619,432
Total capital assets	5,773,540	49,130	5,822,670
Total assets	6,742,446	139,170	6,881,616
DEFERRED OUTFLOWS OF RESOURCES	-	-	-
LIABILITIES			
Accounts payable - trade	7,121	-	7,121
Short-term note payable	-	-	-
Derivative instrument - interest rate swap	-	-	-
Long-term liabilities:			
Compensated absences	31,364	-	31,364
Due within one year	177,734	-	177,734
Due in more than one year	4,502,090	-	4,502,090
Total liabilities	4,718,309	-	4,718,309
DEFERRED INFLOWS OF RESOURCES	-	-	-
NET POSITION			
Net investment in capital assets	890,478	49,130	939,608
Restricted for debt service	214,113	-	214,113
Unrestricted	919,546	90,040	1,009,586
Total net position	\$ 2,024,137	\$ 139,170	\$ 2,163,307

The notes to the financial statements are an integral part of this statement.

Washington Montessori Public Charter School
Statement of Activities
June 30, 2017

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental Activities:							
Instructional programs	\$ 2,511,720	\$ -	77,003	\$ -	\$ (2,434,717)	\$ -	\$ (2,434,717)
Athletics, arts and clubs	-	-	-	-	-	-	-
Support services	295,988	-	-	-	(295,988)	-	(295,988)
Community services	-	-	-	-	-	-	-
Interest on debt	237,109	-	-	-	(237,109)	-	(237,109)
Total governmental activities	3,044,817	-	77,003	-	(2,967,814)	-	(2,967,814)
Business-type activities:							
Before and after school fund	113,958	79,896	-	-	-	(34,062)	(34,062)
Day school fund	50,297	60,451	-	-	-	10,154	10,154
Total business-type activities	164,255	140,347	-	-	-	(23,908)	(23,908)
Total primary government	\$ 3,209,072	\$ 140,347	\$ 77,003	\$ -	(2,967,814)	(23,908)	(2,991,722)
General revenues:							
Unrestricted county appropriations					701,279	-	701,279
Unrestricted State appropriations					2,257,746	-	2,257,746
Unrestricted Federal appropriations					-	-	-
Unrestricted fines and forfeitures					18,783	-	18,783
Donations - general					1,414	-	1,414
Miscellaneous, unrestricted					25,319	-	25,319
Transfers					-	-	-
Total general revenues, special items, and transfers					3,004,541	-	3,004,541
Change in net position					36,727	(23,908)	12,819
Net position-beginning, previously reported					1,987,410	163,078	2,150,488
Net position-ending					\$ 2,024,137	\$ 139,170	\$ 2,163,307

The notes to the financial statements are an integral part of this statement

Washington Montessori Public Charter School
Balance Sheet
Governmental Funds
June 30, 2017

	Major Funds		Total Non-Major Funds	Total Governmental Funds
	General	State Public School	Federal Grants	
ASSETS				
Cash and cash equivalents	\$ 754,793	\$ -	\$ -	\$ 754,793
Restricted cash	214,113	-	-	214,113
Due from other governments	-	-	-	-
Accounts receivable - other	-	-	-	-
Prepaid items	-	-	-	-
Security deposits	-	-	-	-
Total assets	968,906	-	-	968,906
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable - trade	7,121	-	-	7,121
Short term note payable	-	-	-	-
Total liabilities	7,121	-	-	7,121
DEFERRED INFLOWS OF RESOURCES	-	-	-	-
Fund balances:				
Nonspendable:				
Restricted for debt service	214,113	-	-	214,113
Unassigned	747,672	-	-	747,672
Total fund balances	961,785	-	-	961,785
Total liabilities, deferred inflows of resources, and funds balances	\$ 968,906	\$ -	\$ -	

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	5,773,540
Deferred outflows of resources related to pensions	-
Liabilities for earned but unavailable revenues in fund statements. Some liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported in the funds.	-
Long term notes payable	(4,679,824)
Compensated absences	(31,364)
Net position of governmental activities	<u>\$ 2,024,137</u>

The notes to the financial statements are an integral part of this statement.

Washington Montessori Public Charter School
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2017

	Major Funds		Total Non-Major Funds	Total Governmental Funds
	General	State Public School	Federal Grants	
Revenues				
State of North Carolina	\$ -	\$ 2,257,746	\$ -	\$ 2,257,746
Local education agencies	701,279	-	-	701,279
U.S. Government	-	-	77,003	77,003
Fines and forfeitures	18,783	-	-	18,783
Contributions and donations	1,414	-	-	1,414
Other	25,319	-	-	25,319
Total revenues	746,795	2,257,746	77,003	3,081,544
EXPENDITURES				
Current:				
Instructional programs	213,441	2,067,427	77,003	2,357,871
Athletics, arts and clubs	-	-	-	-
Support services	79,490	190,319	-	269,809
Community services	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	145,802	-	-	145,802
Interest and other charges	237,109	-	-	237,109
Total expenditures	675,842	2,257,746	77,003	3,010,591
Excess (deficiency) of revenues over expenditures	70,953	-	-	70,953
OTHER FINANCING SOURCES (USES)				
Transfers to other funds	-	-	-	-
Proceeds from debt	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	70,953	-	-	70,953
Fund balances-beginning	890,832	-	-	890,832
Fund balances-ending	\$ 961,785	\$ -	\$ -	\$ 961,785

The notes to the financial statements are an integral part of this statement.

Washington Montessori Public Charter School
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds to the Statements of Activities
For the Year Ended June 30, 2017

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances - total governmental funds	\$ 70,953
Change in fund balance due to change in reserve for inventory	-
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period	(182,194)
Contributions to the pension plan in the current fiscal year are not included on the statement of activities	-
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	-
Amount of donated assets	-
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	145,802
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	-
Pension expense	2,167
Compensated absences	(1)
Rounding adjustment	<u> </u>
Total changes in net position of governmental activities	<u><u>\$ 36,727</u></u>

The notes to the financial statements are an integral part of this statement.

Washington Montessori Public Charter School
Statement of Net Position
Proprietary Funds
June 30, 2017

	Enterprise Funds		
	Major Fund Before and After School Fund	Non-Major Fund Day School Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 62,507	\$ 27,533	\$ 90,040
Due from other governments	-	-	-
Accounts receivable - trade	-	-	-
Inventories	-	-	-
Total current assets	62,507	27,533	90,040
Noncurrent assets:			
Capital assets:			
Kitchen equipment, net	-	-	-
Transportation equipment, net	49,130	-	49,130
Total noncurrent assets	49,130	-	49,130
Total assets	\$ 111,637	\$ 27,533	\$ 139,170
DEFERRED OUTFLOWS OF RESOURCES	-	-	-
LIABILITIES			
Current liabilities:			
Accounts payable - trade	\$ -	\$ -	\$ -
Deferred revenue	-	-	-
Total current liabilities	-	-	-
Long-term liabilities:			
Net pension liability	-	-	-
Total long-term liabilities	-	-	-
Total liabilities	-	-	-
DEFERRED INFLOWS OF RESOURCES	-	-	-
NET ASSETS			
Net investment in capital assets	49,130	-	49,130
Unrestricted	62,507	27,533	90,040
Total net position	\$ 111,637	\$ 27,533	\$ 139,170

The notes to the financial statements are an integral part of this statement.

Washington Montessori Public Charter School
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
June 30, 2017

	Enterprise Funds		
	Major Fund Before and After School Fund	Non-Major Fund Day School Fund	Total
OPERATING REVENUES			
Day school care	\$ -	\$ 60,451	\$ 60,451
After school care	79,896	-	79,896
Total operating revenues	79,896	60,451	140,347
OPERATING EXPENSES			
Salary and related costs	30,180	50,290	80,470
Supplies and materials	34,347	-	34,347
Field trips	40,771	-	40,771
Other purchases	4,677	7	4,684
Depreciation expense	3,983	-	3,983
Total operating expenses	113,958	50,297	164,255
Operating income (loss)	(34,062)	10,154	(23,908)
NONOPERATING REVENUES (EXPENSES)			
Federal reimbursements	-	-	-
Total nonoperating revenue (expenses)	-	-	-
Income (loss) before contributions and transfers	(34,062)	10,154	(23,908)
Capital contributions	-	-	-
Transfers (to) from other funds	-	-	-
Change in net position	(34,062)	10,154	(23,908)
Total net position - beginning	145,699	17,379	163,078
Total net position - ending	\$ 111,637	\$ 27,533	\$ 139,170

The notes to the financial statements are an integral part of this statement.

Washington Montessori Public Charter School
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2017

	Enterprise Funds		
	Major Fund	Non-Major Fund	
	Food Service	Before and After School Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 79,896	\$ 60,451	\$ 140,347
Cash paid to employees for services	(30,180)	(50,290)	(80,470)
Cash paid for goods and services	(79,795)	(7)	(79,802)
Net cash provided (used) by operating activities	(30,079)	10,154	(19,925)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Federal reimbursements	-	-	-
Transfer (to) from other funds	32,692	(51,863)	(19,171)
Net cash provided (used) by noncapital financing activities	32,692	(51,863)	(19,171)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital contributions	-	-	-
Acquisition of capital assets	(53,114)	-	(53,114)
Net cash (used) by capital and related financing	(53,114)	-	(53,114)
Net increase (decrease) in cash and cash equivalents	(50,501)	(41,709)	(92,210)
Balances-beginning of the year	113,008	69,242	182,250
Balances-end of the year	\$ 62,507	\$ 27,533	\$ 90,040
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ (34,062)	\$ 10,154	\$ (23,908)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	3,983	-	3,983
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	-	-	-
Increase (decrease) in accounts payable and accrued liabilities	-	-	-
Increase (decrease) in deferred inflows of resources	-	-	-
Total adjustments	3,983	-	3,983
Net cash provided by operating activities	\$ (30,079)	\$ 10,154	\$ (19,925)

The notes to the financial statements are an integral part of this statement.

Washington Montessori, Inc., North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017

I. Summary of Significant Accounting Policies

The accounting policies of the Washington Montessori, Inc., North Carolina (the School) conform to generally accepted accounting principles (GAAP) as applicable to governments. Charter schools are established by non-profit entities. Because of the authority of the State Board of Education (SBE) to unilaterally abolish a school with all the assets reverting to a local education agency, the charter schools in North Carolina follow the governmental reporting model, as used by local education agencies. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The Washington Montessori, Inc. is a public school operated by a local non-profit corporation, serving approximately 382 students. The School operates under an approved charter received from the SBE, and applied for under the provisions of General Statute (G.S.) 115C-238.29B. G.S. 115C-238.29F(f)(1) states that a charter school shall be subject to the audit requirements adopted by the SBE, which includes the audit requirements established by G.S. 115C-447 of the School Budget and Fiscal Control Act (SBFCA). G.S. 115C-447 also requires financial statements to be prepared in accordance with GAAP.

B. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the School. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the School. Governmental activities generally are financed through inter-governmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the School and for each function of the School's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the School's funds. Separate statements for each fund category – *governmental and proprietary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

B. Basis of Presentation (continued)

The School reports the following major governmental funds:

General Fund. The General Fund is the general operating fund of the School. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund.

State Public School Fund. The State Public School Fund includes appropriations from the Department of Public Instruction for specific operating needs of the public school system and is reported as a special revenue fund.

The School reports the following non-major governmental fund:

Federal Fund. The Federal Fund is used to account for the Federal moneys that are passed through the State Department of Public Instruction to the School.

The School reports the following major enterprise fund:

After School Care Fund. The After School Care Fund is used to account for the after school activities conducted by the School.

The School reports the following non-major enterprise fund:

Day School Fund. The Day School Fund is used to account for the day school activities conducted by the School.

C. Measurement Focus and Basis of Accounting

Government-wide and Proprietary Fund Financial Statement. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the School gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants and donations. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The School considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. These could include federal, State, and county grants, and some charges for services. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the School funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the School's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

D. Budgetary Data

Annual budgets are adopted for all funds on a government-wide basis. All budgets are prepared using the modified accrual basis of accounting.

The governing board has voluntarily established the policy, as a sound business practice, that expenditures may not exceed appropriations, for all of the School's funds, based on the adopted budget and subsequent amendments. During the year, several amendments to the original budget were necessary, the effects of which were not material. The budget presented in the supplemental data represents the budget of the School at June 30, 2017. All appropriations lapse at year end.

E. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Fund Equity

1. Deposits and Investments

All deposits of the School are made in a local bank; whose accounts are FDIC insured. Also, the School has established time deposit accounts such as money market accounts.

2. Cash and Cash Equivalents

The School pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents. Cash restricted to payments of principal and interest on USDA loans is reported separately in the financial statements.

4. Prepaid Items

Certain payments to vendors reflect cost applicable to future accounting periods and are recorded as prepaid items.

3. Capital Assets

The School's donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other capital assets are recorded at original cost. The total of these estimates is not considered large enough that any errors would be material when capital assets are considered as a whole.

It is the policy of the School to capitalize all capital assets costing more than \$5,000 with an estimated useful life of two or more years. In addition, other items which are purchased and used in large quantities such as student desks and office furniture are capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets. All depreciable assets are depreciated using the straight-line method of depreciation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are depreciated over the following estimated useful lives:

	<u>Years</u>
Building	39
Furniture and office equipment	10
Food service equipment	10
Electronic Equipment	3-5

4. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The School has no items that meet the criterion for this category for the current fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The School has one item that meet the criterion for this category - unearned revenue. The School has no items that meet the criterion for this category.

5. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statements of net position.

In the fund financial statements, governmental fund types report the face amount of debt issued as other financing sources.

6. Compensated Absences

The liability for compensated absences reported in the government-wide and proprietary fund statements consists of unpaid, accumulated annual leave balances. Employees may accumulate up to thirty (30) days earned vacation leave with such leave being fully vested when earned. The School accounts for its leave on a first-in, first-out basis, such that the oldest available leave is used first. The current portion of the liability is recorded as such in the government-wide financial statements.

7. Net Position/Fund Balances

Net Position

Net position in the government-wide and proprietary fund financial statements are classified as net investment in capital assets; restricted; and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

Fund Balance

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

Non-spendable Fund Balance – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Inventories- portion of fund balance that is not an available resource because it represents the year-end balance of ending inventories, which are not spendable resources.

Prepaid Items- portion of fund balance that is not an available resource because it represents the year-end balance of prepaid rent on the school facility which is not a spendable resource.

Restricted Fund Balance –This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

Committed Fund Balance – portion of fund balance that can only be used for specific purpose imposed by majority vote of the School's governing body (highest level of decision-making authority). Any changes or removal of the specific purpose requires majority action by the governing bodies that approved the original action.

Assigned Fund Balance – Portion of fund balance the Washington Montessori, Inc. intends to use for specific purposes.

Assigned for Clubs and Activities Fund – revenue sources restricted for expenditures for the various clubs and organizations, athletic events, and various fundraising activities for which they are collected.

Unassigned Fund Balance – the portion of fund balance that has not been assigned to another fund or restricted, committed, or assigned to specific purposes within the general fund.

Washington Montessori, Inc. has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-board of education funds, board of education funds. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the School.

8. The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. The net adjustment of \$1,062,352 consists of several elements as follows:

<u>DESCRIPTION</u>	<u>AMOUNT</u>
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on government-wide statement in governmental activities column).	\$ 7,116,548
Less accumulated depreciation	(1,343,008)
Pension related deferred outflows of resources	
Differences between contributions and proportional share of contributions and changes in proportion	-
Contributions made to the pension plan in current fiscal year	-
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not reported in the fund statements:	
Long-term notes payable	(4,679,824)
Capital leases payable	-
Bonds payable	-
Compensated absences	(31,364)
Net pension liability	-
Deferred inflows of resources related to pensions	
Differences between expected and actual experience	-
Differences between projected and actual earnings on plan investments	-
Total adjustment	<u>\$ 1,062,352</u>

F. Revenues, Expenditures, and Expenses

1. Funding

The Washington Montessori, Inc. is funded by the State Board of Education, receiving (i) an amount equal to the average per pupil allocation for the average daily membership (ADM) from the local school administrative unit allotments in which the school is located (i.e. Wilson County Board of Education) for each child attending the School except for the allocation for children with special needs and (ii) an additional amount for each child attending the School who is a child with special needs [G.S. 115C-238.29H(a)]. Additionally, the appropriate local school administrative unit(s) transfers to the School, for each student who resides in the local administrative unit and attends the charter school, an amount equal to the per pupil local current expense appropriation to the respective unit for the fiscal year. [G.S. 115C.238.29H(b)]. For the fiscal year ended June 30, 2017, the Washington Montessori School, Inc. received funding from the Boards of Education for Beaufort County, Craven County, Edenton-Chowan County, Martin County, Pitt County, and Washington County.

Furthermore, Washington Montessori, Inc. has received donations of cash and/or equipment from individuals and private organizations. The cash has been used for general fund activities.

2. Reconciliation between government-wide and fund statements

The governmental fund statement of revenues, expenditures, and changes in fund balance is followed by a reconciliation between the change in fund balance – governmental activities and the change in net position – governmental funds as reported on the government-wide statement of activities. The net difference of \$(34,226) between the two amounts consists of the following elements:

<u>DESCRIPTION</u>	<u>AMOUNT</u>
Capital outlay expenditures recorded in the fund statements but capitalized as assets on the statement of activities.	\$ -
Depreciation expense that is recorded on the statement of activities but not in the fund statements.	(182,194)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	-
New debt issued during the year is recorded as a source of funds on the fund statements but has no effect on the statement of activities, only the statement of net assets.	-
Principal payments on debt owed are recorded as a use of funds on the fund statements but again affect only the statement of net assets in the government-wide statements.	145,802
Rounding adjustment	(1)
Compensated absences	2,167
Total	<u>\$ (34,226)</u>

G. Use of Estimates and Assumptions

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenditures.

II. Stewardship, Compliance, and Accountability

A. Material Violations of Finance-Related Legal and Contractual Provisions

Noncompliance with North Carolina General Statutes

None.

Contractual Violations

None.

B. Deficit Fund Balance or Net position of Individual Funds

None.

III. Detail Notes on All Funds

A. Assets

1. Deposits

At June 30, 2017, the School had deposits with banks and savings and loans with a carrying amount of \$844,833. The bank balances with the financial institutions totaled \$1,106,268, of which \$467,441 is insured by the FDIC at June 30, 2017. The remaining \$638,827 is a credit risk. The School does not have a deposit policy for custodial credit risk. The School is also reporting \$214,113 of restricted cash. This amount is restricted for future USDA loan payments.

2. Capital Assets

Capital asset activity for the year ended June 30, 2017, was as follows:

	Beginning	Increases	Decreases	Ending
Governmental activities				
Capital assets not being depreciated:				
Land	\$ 203,238	\$ -	\$ -	\$ 203,238
Construction in progress	-	-	-	-
Total capital assets not being depreciated	203,238	-	-	203,238
Capital assets being depreciated:				
Land improvements	85,750	-	-	85,750
Building and improvements	6,638,002	-	-	6,638,002
Furniture and fixtures	94,650	-	-	94,650
Playground equipment	5,756	-	-	5,756
Electronic equipment	89,152	-	-	89,152
Total capital assets being depreciated	6,913,310	-	-	6,913,310
Less accumulated depreciation for:				
Land improvements	72,888	8,575	-	81,463
Building and improvements	916,807	165,950	-	1,082,757
Furniture and fixtures	90,507	572	-	91,079
Playground equipment	2,422	576	-	2,998
Electronic equipment	78,190	6,521	-	84,711
Total accumulated depreciation	1,160,814	\$ 182,194	\$ -	1,343,008
Total capital assets being depreciated, net	5,752,496			5,570,302
Governmental activity capital assets, net	\$ 5,955,734			\$ 5,773,540

Depreciation expense was charged to governmental functions as follows:

Instructional programs	\$ 156,015
Supporting services	26,179
	<u>\$ 182,194</u>

	Beginning	Increases	Decreases	Ending
Business-type activities:				
Before & After School Fund:				
Capital assets being depreciated:				
Transportation equipment	\$ -	\$ 53,114	\$ -	\$ 53,114
Total capital assets being depreciated	-	53,114	-	53,114
Less accumulated depreciation for:				
Transportation equipment	-	3,984	-	3,984
Total accumulated depreciation	-	\$ 3,984	\$ -	3,984
Total capital assets being depreciated, net	-			49,130
Business-type activity capital assets, net	\$ -			\$ 49,130

B. Liabilities

1. Retirement Plan

Washington Montessori, Inc. maintains a 403(b) pension plan that provides for School contributions as well as elective deferrals. During 2017, the School contributed a total of \$24,325 to the plan and employees contributed \$56,250. The School also sponsors a SEP-IRS to which only employees may make contributions.

2. Risk Management

The School is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School maintains general liability and errors and omissions insurance coverage of \$1 million per occurrence with a commercial carrier.

The School has obtained a Major Medical insurance policy for its personnel through a commercial insurer. Through the plan, permanent, full-time employees of the School are eligible to receive health care benefits.

The School carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year, and claims have not exceeded coverage in any of the past two fiscal years.

3. Claims and Judgements

At June 30, 2017, the School was not a defendant in any lawsuits.

4. Long-Term Obligations

a.) Note Payable

Note Payable to the U.S. Department of Agriculture, bearing interest at 4.25%, payable in annual installments of \$89,400, including interest on March 28th, secured by deed of trust. At June 30, 2017, the balance of the note was \$1,149,558.

Note Payable to the U.S. Department of Agriculture, bearing interest at 4.75%, payable in monthly installments of \$3,397, including interest, secured by deed of trust. At June 30, 2017, the balance of the note was \$185,150.

Note Payable to the U.S. Department of Agriculture, bearing interest at 4.00%, payable in annual installments of \$82,047 on February 17th, including interest, secured by deed of trust. At June 30, 2017, the balance of the note was \$1,216,788.

Note Payable to Select Bank, bearing interest at 4.75%, payable in interest only payments, secured by deed of trust. At June 30, 2017, the balance was \$2,194,774. The note was refinanced from a construction loan to a fixed mortgage, bearing interest rate of 4.75% with monthly payments of \$2,128,328.

Annual debt service requirements to maturity for long-term debt obligations are as follows:

Future maturities are as follows:	Total	Principal	Interest
Debt service fiscal 2017	\$ 382,911	\$ 171,976	\$ 210,933
Debt service fiscal 2018	382,911	179,800	203,111
Debt service fiscal 2019-2023	3,089,680	2,678,809	410,871
Debt service fiscal 2024-2028	857,235	524,452	332,783
Debt service fiscal 2029-2033	857,235	643,651	213,584
Debt service fiscal 2034-2038	588,874	509,865	79,009
Debt service fiscal 2039-2040	122,117	117,073	5,044
	<u>\$ 6,280,963</u>	<u>\$ 4,825,626</u>	<u>\$ 1,455,335</u>

The School is in compliance with each USDA loan covenants in that the property is used for school facilities; no illegal activities or activities that may impair the property are conducted on school grounds; the property is open for inspection by the USDA and other governmental agencies; the property is insured at replacement cost; all taxes, liens, judgements, assessments and encumbrances on the property have been paid in a timely manner; all payments of principal and interest have been made in a timely manner; the School is in compliance with the Civil Rights Act; and the property and any improvements are maintained in good condition.

b). Changes in General Long-Term Obligations

	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017	Current Portion
Governmental activities:					
Notes payable	\$ 4,825,626	\$ -	\$ 145,802	\$ 4,679,824	\$ 177,734
Compensated absences	33,531	-	2,167	31,364	31,364
Total	<u>\$ 4,859,157</u>	<u>\$ -</u>	<u>\$ 147,969</u>	<u>\$ 4,711,188</u>	<u>\$ 209,098</u>

C. Fund Balance

Washington Montessori, Inc. has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: federal funds, State funds, local non-School funds. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the School.

The following schedule provides management and citizens with information on the portion of General fund balance that is available for appropriation.

Total fund balance	\$961,785
Less:	
Inventories	-
Restricted for debt service	214,113
Appropriated Fund Balance in 2016 budget	-
Remaining Fund Balance	\$747,672

D. Related Party Transactions

The School employs as part of its educational staff an employee and the employee's spouse. These individuals are compensated at market rates.

IV. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

The School has received proceeds from several federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant moneys to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

V. Subsequent Events – Date of Management's Review

The School has evaluated subsequent events from the date of the balance sheet through the date the report is available to be issued which is the date of the independent auditors' report. The School has not evaluated subsequent events after that date.

NON-MAJOR FUNDS

Federal Grants Fund -

This fund is used to account for the federal grant activity of the school.

Day School Fund -

This fund is used to account for the day school that the students attend at the school.

**Washington Montessori Public Charter School
Non-major Governmental Fund
Balance Sheet
June 30, 2017**

Statement 1

	Special Revenue Funds
Assets	
Cash and cash equivalents	\$ -
Due from other governments	-
Total assets	<u>\$ -</u>
 Liabilities and Fund Balances	
Liabilities	
Accrued salaries and wages payable	\$ -
Deferred revenue	-
Total liabilities	<u>-</u>
 Fund balances-unreserved	<u>-</u>
Total liabilities and fund equity	<u>\$ -</u>

Statement 2

**Washington Montessori Public Charter School
Non-major Governmental Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances
For the Fiscal Year Ended June 30, 2017**

	Special Revenue Funds
	Totals 2017
Revenues:	
U.S. Government	
Idea VI-B Handicapped	\$ 47,367
Improving Teacher Quality	2,694
Children with Special Needs	26,042
Idea VI-B Targeted Assistance	900
Total	<u>77,003</u>
Donations	-
Other	-
Total	<u>-</u>
Total Revenues	<u>77,003</u>
Expenditures:	
Current	
Instructional programs:	
Regular programs	2,694
Special programs	74,309
Alternative programs	-
School-based support services	-
Total	<u>77,003</u>
Support services:	
Special population	-
Total	<u>-</u>
Non-programmed charges:	
Other	-
Total	<u>-</u>
Total expenditures	<u>77,003</u>
Revenues over expenditures	<u>-</u>
Fund balances:	
Beginning of year, July 1	-
End of year, June 30	<u>\$ -</u>

Statement 3

Washington Montessori Public Charter School
Statement of Net Position
Non-major Proprietary Fund
June 30, 2017

	Enterprise Fund
	Non-major Fund
	Day School
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 27,533
Due from other governments	-
Receivables (net)	-
Inventories	-
Total current assets	<u>27,533</u>
Noncurrent assets:	
Capital assets:	
Furniture and office equipment, net	-
Computer equipment, net	-
Total noncurrent assets	-
Total assets	<u>\$ 27,533</u>
LIABILITIES	
Current liabilities:	
Accounts payable - trade	\$ -
Due to other funds	-
Total current liabilities	-
Long-term liabilities:	
Due within one year	-
Due in more than one year	-
Total long-term liabilities	-
Total liabilities	-
NET POSITION	
Net investment in capital assets	-
Unrestricted	<u>27,533</u>
Total net position	<u>\$ 27,533</u>

Statement 4

Washington Montessori Public Charter School
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
June 30, 2017

	<div style="border: 1px solid black; padding: 2px;"> Enterprise Fund Non-major Fund Before & After School </div>
OPERATING REVENUES	
Day school care	\$ 60,451
Total operating revenues	<u>60,451</u>
OPERATING EXPENSES	
Salaries & related costs	50,290
Supplies & equipment	7
Contracted services	-
Food purchases	-
Total operating expenses	<u>50,297</u>
Operating income (loss)	<u>10,154</u>
NONOPERATING REVENUES (EXPENSES)	
Federal reimbursements	-
Total nonoperating revenue (expenses)	<u>-</u>
Income (loss) before contributions and transfers	10,154
Capital contributions	-
Transfers (to) from other funds	-
Change in net position	<u>10,154</u>
Total net position - beginning	<u>17,379</u>
Total net position - ending	<u><u>\$ 27,533</u></u>

Washington Montessori Public Charter School
All Fund Types
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
Government-wide Budget
Year Ended June 30, 2017

	2017		
	Final Budget	Actual	Favorable (Unfavorable) Variance
Revenues:			
State of North Carolina	\$ 2,223,309	\$ 2,257,746	\$ 34,437
Boards of Education	655,763	701,279	45,516
Fines and forfeitures	12,627	18,783	6,156
U.S. Government	77,647	77,003	(644)
Day school	49,000	60,451	11,451
Before and after school	51,500	79,896	28,396
Contributions and donations	-	1,414	1,414
Others	48,452	25,319	(23,133)
Total revenues	<u>3,118,298</u>	<u>3,221,891</u>	<u>103,593</u>
Expenditures			
Salaries & bonuses	1,611,559	1,611,559	-
Benefits	443,670	443,670	-
Books & supplies	90,157	90,157	-
Technology	44,500	44,500	-
Non capitalized equipment	41,137	41,137	-
Contracted student services	102,675	102,675	-
Staff development	42,000	42,000	-
Administrative services	74,667	74,667	-
Insurances	-	-	-
Rents & debt service	356,547	382,911	(26,364)
Facilities	162,744	165,000	(2,256)
Utilities	83,270	83,270	-
Nutrition & food	5,250	5,250	-
Transportation & travel	2,500	2,500	-
Capital purchases	-	-	-
Summer and other programs	35,340	85,550	(50,210)
Total expenditures	<u>3,096,016</u>	<u>3,174,846</u>	<u>(78,830)</u>
Other financing sources (uses):			
Federal reimbursements	-	-	-
Proceeds from notes payable	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over expenditures	<u>\$ 22,282</u>	<u>\$ 47,045</u>	<u>\$ 24,763</u>

COMPLIANCE SECTION

WASHINGTON MONTESSORI PUBLIC CHARTER SCHOOL

WILSON, NORTH CAROLINA

JUNE 30, 2017

Rebekah Barr, CPA PC

Certified Public Accountant

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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

Washington Montessori Public Charter School

Washington, North Carolina

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 accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Washington Montessori Public Charter School as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprises Washington Montessori Public Charter School's basic financial statements and have issued our report thereon dated September 21, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Washington Montessori Public Charter 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 Washington Montessori Public Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of Washington Montessori Public Charter 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 School'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 the 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 Washington Montessori Public Charter School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Rebekah Barr, CPA PC
Certified Public Accountant
Wilson, North Carolina

September 21, 2017

Rebekah Barr, CPA PC

Certified Public Accountant

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE; IN ACCORDANCE WITH OMB UNIFORM GUIDANCE; AND THE STATE SINGLE AUDIT IMPLEMENTATION ACT

Board of Directors

Washington Montessori Public Charter School

Washington, North Carolina

Report on Compliance for Each Major State Program

We have audited Washington Montessori Public Charter School's compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on its major State program for the year ended June 30, 2017. Washington Montessori Public Charter School's major State program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its major State program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Washington Montessori Public Charter School's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in and applicable sections of Title 2 US Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Washington Montessori Public Charter School's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of the Washington Montessori Public Charter School's compliance.

Opinion on Each Major State Program

In our opinion, the Washington Montessori Public Charter School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of the Washington Montessori Public Charter School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Washington Montessori Public Charter School's internal control over compliance with the types of requirements that could have a direct and material effect on a major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Rebekah Barr, CPA PC
Certified Public Accountant
Wilson, North Carolina

September 21, 2017

WASHINGTON MONTESSORI PUBLIC CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

SECTION I. -- SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued on whether the financial statements audited were prepared in accordance to GAAP: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified
that are not considered to be
material weaknesses? yes X none reported

Noncompliance material to financial
statements noted yes X no

State Awards

Internal control over major state programs:

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified
that are not considered to be
material weaknesses? yes X none reported

Type of auditors' report issued on compliance for major state programs: Unmodified

Any audit findings disclosed that are required
to be reported in accordance with the State Single Audit
Implementation Act yes X no

Identification of major state programs:

Program Name

State Public School Funds (PRC036 - Charter School Funds)

WASHINGTON MONTESSORI PUBLIC CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

SECTION II. -- FINANCIAL STATEMENT FINDINGS

None reported

SECTION III. -- STATE AWARD FINDINGS AND QUESTIONED COSTS

None reported.

WASHINGTON MONTESSORI PUBLIC CHARTER SCHOOL
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2017

SECTION II. -- FINANCIAL STATEMENT FINDINGS

None reported

SECTION III. -- STATE AWARD FINDINGS AND QUESTIONED COSTS

None reported.

WASHINGTON MONTESSORI PUBLIC CHARTER SCHOOL
SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017

There were no prior year audit findings.

WASHINGTON MONTESSORI PUBLIC CHARTER SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

GRANTOR/PASS-THROUGH GRANTOR PROGRAM TITLE	FEDERAL CFDA NUMBER	STATE/ PASS-THROUGH GRANTOR'S NUMBER	EXPENDITURES
FEDERAL GRANTS:			
CASH ASSISTANCE			
<u>US Department of Education</u>			
Passed Through the North Carolina			
Department of Public Instruction:			
Improving Teacher Quality	84.367A	PRC 103	\$ 2,694
Special Education Cluster:			
Idea VI-B Handicapped	84.027-CL	PRC 060	47,367
Children with Special Needs Risk	84.027-CL	PRC 114	26,042
Idea VI-B Targeted Assistance	84.027-CL	PRC 118	900
Total Special Education Cluster			<u>74,309</u>
TOTAL FEDERAL CASH ASSISTANCE			<u>77,003</u>
NC STATE GRANTS:			
CASH ASSISTANCE			
<u>NC Department of Public Instruction</u>			
State Public School Funds		PRC 036	2,240,037
Summer Reading Program		PRC 016	<u>17,673</u>
TOTAL NC STATE CASH ASSISTANCE			<u>2,257,710</u>
TOTAL FEDERAL AND STATE AWARDS			<u>\$ 2,334,713</u>

Notes to the Schedule of Expenditures of Federal and State Awards:

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of the Washington Montessori Public Charter School under the programs of the federal government and the State of North Carolina for the year ended June 30, 2017. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of Washington Montessori Public Charter School, it is not intended to and does not present the financial position, changes in net position, or cash flows of Washington Montessori Public Charter School.

Note 2: Summary of Significant Accounting Policies

Washington Montessori Public Charter School has elected not to use the 10-percent de minimis indirect cost rate as allowed under Uniform Guidance.