

Chattahoochee Hills Charter School, Inc.

Financial Statements
and
Independent Auditors' Report

June 30, 2017

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Chattahoochee Hills Charter School, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Chattahoochee Hills Charter School, Inc. ("the School"), a Georgia not-for-profit organization and component unit of the Fulton County Board of Education, as of and for the year ended June 30, 2017 and the related notes to 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 an opinion 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 opinion.

Opinion

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion, analysis and the schedule of revenues, expenditures and changes in fund balance – budget and actual – general fund on pages 3 through 6 and page 26 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 supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report 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, 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 result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

Marshall Jones & Co.

Atlanta, Georgia
October 16, 2017

CHATTAHOOCHEE HILLS CHARTER SCHOOL, INC
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
June 30, 2017

The Board of Directors of Chattahoochee Hills Charter School, Inc. ("the School") offers readers of the School's financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with the School's financial statements.

The Board acknowledges financial and reporting issues from FY 2016, which also affected FY 2017. Although corrective action was taken to ensure that the incidents were isolated, certain issues did roll forward into future financial reporting periods. The School adopted a new financial reporting system in FY 2016 which was the cause of many of these inaccurate financial records, and when the School switched back to its old financial reporting system, there was some loss to data integrity. Through the audit process, the data integrity has been restored and the School plans to make changes to accounting policy allowing for more timely reporting of its financial position in the future.

Financial Highlights

- Total revenues increased by \$1,459,460 to \$4,631,878 for the year ended June 30, 2017 due primarily to state funding which increased \$1,313,387 year to year. All other revenue sources were consistent with the prior period.
- At the close of the current fiscal year, the School reports an ending net position of \$653,848. Net position increased \$216,553 from the previous year end net position balance and is presented as the result of the change in net position for the year ended June 30, 2017.

Overview of the Financial Statements

The discussion and analysis is intended to serve as an introduction to the School's basic financial statements. The School's basic financial statements as presented comprise three components: a) government-wide financial statements, b) fund financial statements, and c) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the School's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the School's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School is improving or deteriorating.

The statement of activities presents information showing how the School's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying events giving rise to the changes occur, regardless of the timing of related cash flows.

CHATTAHOOCHEE HILLS CHARTER SCHOOL, INC
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
June 30, 2017

Also included in the School's government-wide financial statements are the net proceeds of the School's Early Morning and After School Program ("EMAP"). EMAP is an enterprise activity and is offered by the school at additional cost to families. EMAP provided \$126,324 in additional revenue (net of related expenses), and all funds were used to execute the mission of the School. This program is continuing to be offered to the students and families of the School.

Both of the government-wide financial statements distinguish functions of the School that are principally supported by Fulton County, the State of Georgia, and federal funding sources (governmental activities). Basic instruction, exceptional instruction, and school administration are examples of the School's governmental activities. Other activities, such as EMAP, whose function more closely resembles a private business, are considered enterprise activities and those funds are tracked separately. However, all funds, regardless of source, are used to fulfill the mission of the School.

The government-wide financial statements include only the School itself, which is a component unit of the Fulton County Board of Education ("the School System"). The School System includes the operations of the School in their operational results.

Fund Financial Statements

A *fund* is a group of related accounts that are used to maintain control over resources that have been segregated for specific activities or purposes. The School, like governmental type entities, utilizes fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the operations of the School are presented in governmental funds only.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

The School maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and statement of revenues, expenditures and changes in fund balances. The general fund and debt service fund are considered to be major funds.

CHATTAHOOCHEE HILLS CHARTER SCHOOL, INC
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
June 30, 2017

The School adopts an annual appropriated budget for its entire operations. Budgetary comparison schedules have been provided to demonstrate compliance with this budget and can be found as required supplementary information to the basic financial statements.

Notes to 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.

Government-Wide Financial Statement Analysis

Net position may serve over time as a useful indicator of a government's financial position. In the case of the School, assets and deferred outflows exceeded liabilities and deferred inflows by \$653,848 as of June 30, 2017.

Total Assets and Deferred Outflows	\$ 3,322,777
Total Liabilities and Deferred Inflows	2,668,929
Total Net Position	\$ 653,848

The School's revenues are predominantly from the Fulton County Board of Education, based on student enrollment and awards from state and federal sources.

Revenues	
State funds	\$ 4,269,505
Federal funds	196,637
Charges for services	72,084
Other	93,652
Total Revenues	4,631,878
Expenditures	
Instruction	2,457,596
Support services	1,723,907
Non-instructional services	299,201
Other non-cash	60,945
Total Expenditures	4,541,649
General Revenues	
Interfund transfers	126,324
Total General Revenues	126,324
Change in Net Position	\$ 4,667,973

(continued)

CHATTAHOOCHEE HILLS CHARTER SCHOOL, INC
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
June 30, 2017

Financial Analysis of the Government's Funds

The focus of the School's *governmental fund* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the School's financing requirements. In particular, *fund balance* may serve as a useful measure of a government's net resources available for spending for program purposes at the end of the fiscal year.

The School's governmental fund ("the General Fund") reported an ending fund balance of \$977,379. For the year ended June 30, 2017, the School's revenues and other financing sources (\$4,758,202) exceeded the School's expenditures (\$4,115,151) by \$643,051.

General Fund Budgetary Highlights

Actual revenues exceeded budgeted revenues by \$119,167 due to higher than budgeted federal and local educational agencies' funds as well as higher than budgeted donor contributions. Budgeted expenditures exceeded actual expenditures by \$313,358 due to lower than budgeted instructional expenditures and capital outlay.

Capital Assets

As of June 30, 2017, the School's investment in capital assets for its governmental activities totaled \$260,262 (net of accumulated depreciation). This investment in capital assets includes the School's leasehold improvements, equipment, and furniture.

Economic Factors and Events Affecting Operations

A majority of the Schools funding is determined by the number of enrolled students. The School expanded enrollment in FY2017 to add a 7th Grade. The School is contractually obligated to add an 8th Grade in FY18.

The School's initial FY2017 allocation was based on 440 students.

Contacting the School's Financial Management

This financial report is designed to provide interested parties a general overview of the School's finances. Questions regarding any of the information provided in this report should be addressed to Chattahoochee Hills Charter School, Inc. at 9670 Rivertown Road, Chattahoochee Hills, Georgia 30213.

CHATTAHOOCHEE HILLS CHARTER SCHOOL, INC
STATEMENT OF NET POSITION
June 30, 2017

	Governmental Activities	Business- Type Activities	Total
Assets			
Cash and cash equivalents	\$ 1,077,266	\$ -	\$ 1,077,266
Accounts receivable	-	-	-
Capital assets, depreciable, net	260,262	-	260,262
Total Assets	1,337,528	-	1,337,528
Deferred Outflows of Resources			
Deferred outflows related to pensions	1,985,249	-	1,985,249
Total Deferred Outflows of Resources	1,985,249	-	1,985,249
Total Assets and Deferred Outflows of Resources	\$ 3,322,777	\$ -	\$ 3,322,777
Liabilities			
Accounts payable	\$ 98,627	\$ -	\$ 98,627
Salaries and benefits payable	1,260	-	1,260
Long-term liabilities			
Net pension liability	2,556,401	-	2,556,401
Total Liabilities	2,656,288	-	2,656,288
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investment	12,641	-	12,641
Total Deferred Inflows of Resources	12,641	-	12,641
Net Position			
Unrestricted net position	393,586	-	393,586
Net investment in capital assets	260,262	-	260,262
Total Net Position	653,848	-	653,848
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 3,322,777	\$ -	\$ 3,322,777

This financial statement should only be read in connection with the accompanying
independent auditors' report and notes to financial statements.

CHATTAHOOCHEE HILLS CHARTER SCHOOL, INC
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2017

Functions	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business- Type Activities	Total
Governmental Activities:						
Instruction	\$2,457,596	\$ -	\$ 4,269,505	\$ 1,811,909	\$ -	\$ 1,811,909
Support Services:						
Pupil	314,610	-	124,897	(189,713)	-	(189,713)
Improvement of instruction	166,053	-	-	(166,053)	-	(166,053)
Educational media	54,313	-	-	(54,313)	-	(54,313)
General administration	21,134	-	-	(21,134)	-	(21,134)
School administration	426,927	-	-	(426,927)	-	(426,927)
Business administration	24,918	-	-	(24,918)	-	(24,918)
Maintenance and operation	578,548	-	-	(578,548)	-	(578,548)
Central services	137,404	-	-	(137,404)	-	(137,404)
Operations of Non-Instructional Services:						
Food services	299,201	72,084	101,233	(125,884)	-	(125,884)
Depreciation	60,945	-	-	(60,945)	-	(60,945)
Interest		-	-	-	-	-
Total Governmental Activities	4,541,649	72,084	4,495,635	26,070	-	26,070
Business-Type Activities						
Enterprise fund	54,392	180,716	-	-	126,324	126,324
Total Business-Type Activities	54,392	180,716	-	-	126,324	126,324
Total Primary Government	\$4,596,041	\$ 252,800	\$ 4,495,635	26,070	126,324	152,394
General Revenues						
Interfund transfer				126,324	(126,324)	-
Other contributions				64,159	-	64,159
Total General Revenues				190,483	(126,324)	64,159
Change in Net Position				216,553	-	216,553
Net position, beginning				437,295	-	437,295
Net Position, End of Year				\$ 653,848	\$ -	\$ 653,848

This financial statement should only be read in connection with the accompanying
independent auditors' report and notes to financial statements.

CHATTAHOOCHEE HILLS CHARTER SCHOOL, INC
BALANCE SHEET – GOVERNMENTAL FUNDS
June 30, 2017

	General Fund
Assets	
Cash and cash equivalents	\$ 1,077,266
Accounts receivable	-
Total Assets	\$ 1,077,266
Liabilities	
Accounts payable	\$ 98,627
Salaries and benefits payable	1,260
Total Liabilities	99,887
Fund Balance	
Unassigned fund balance	977,379
Total Fund Balance	977,379
Total Liabilities and Fund Balances	\$ 1,077,266

This financial statement should only be read in connection with the accompanying
independent auditors' report and notes to financial statements.

CHATTAHOOCHEE HILLS CHARTER SCHOOL, INC
RECONCILIATION OF THE
BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2017

Total Fund Balance for Governmental Funds	\$ 977,379
Total net position reported for governmental activities in the Statement of Net Position is different because:	
Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. Those assets consist of:	
Capital assets, net	260,262
Certain liabilities are not reported in the fund financial statement because they are not due and payable, but they are presented in the Statement of Net Position as follows:	
Net pension liability	(2,556,401)
Deferred outflows of resources related to pension	1,985,249
Deferred inflows of resources related to pension	(12,641)
Total Net Position of Governmental Activities	\$ 653,848

This financial statement should only be read in connection with the accompanying
independent auditors' report and notes to financial statements.

CHATTAHOOCHEE HILLS CHARTER SCHOOL, INC
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS
For the Year Ended June 30, 2017

	Total
Revenues	
State funds	\$ 4,269,505
Federal funds	196,637
Charges for services	72,084
Other	93,652
Total Revenues	4,631,878
Expenditures	
Instruction	2,123,930
Support services:	
Pupil	299,349
Improvement of instructional staff	166,053
Educational media	48,027
General administration	21,134
School administration	386,483
Business administration	22,739
Maintenance and operation	575,230
Central services	119,960
School nutrition	281,759
Capital outlay	70,487
Total Expenditures	4,115,151
Excess of Revenues Over Expenditures	516,727
Other Financing Sources and (Uses)	
Operating transfers in	126,324
Total Other Financing Sources and (Uses)	126,324
Net Change in Fund Balance	643,051
Fund balance, beginning	334,328
Fund Balance, End of Year	\$ 977,379

This financial statement should only be read in connection with the accompanying
independent auditors' report and notes to financial statements.

CHATTAHOOCHEE HILLS CHARTER SCHOOL, INC
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2017

Net Change in Fund Balance – Total Governmental Funds	\$ 643,051
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Amounts reported for governmental activities
in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures.
However, in the Statement of Activities, assets are
capitalized and the cost is allocated over their estimated
useful lives and reported as depreciation expense:

Capital outlays	70,487
Depreciation expense	(60,945)

Payment of pension expenses is reported as an expenditure
in governmental funds, but payments reduce long-term
liabilities in the Statement of Activities:

Pension expense	(436,040)
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Change in Net Position - Governmental Activities	\$ 216,553
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This financial statement should only be read in connection with the accompanying
independent auditors' report and notes to financial statements.

CHATTAHOOCHEE HILLS CHARTER SCHOOL, INC
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
June 30, 2017

	Enterprise Fund
ASSETS	
Due from general fund	\$ -
Total Assets	\$ -
LIABILITIES	
Due to general fund	\$ -
Total Liabilities	-
NET POSITION	
Unrestricted	-
Total Net Position	-
Total Liabilities and Net Position	\$ -

This financial statement should only be read in connection with the accompanying
independent auditors' report and notes to financial statements.

CHATTAHOOCHEE HILLS CHARTER SCHOOL, INC
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION – PROPRIETARY FUNDS
For the Year Ended June 30, 2017

	Enterprise Fund
Operating Revenues	
Charges for services	\$ 180,716
Total Operating Revenues	180,716
Operating Expenses	
Instruction	54,392
Total Operating Expenses	54,392
Operating Income	126,324
Interfund Transfer	(126,324)
Change in Net Position	-
Net position, beginning of year	-
Net Position, End of Year	\$ -

This financial statement should only be read in connection with the accompanying
independent auditors' report and notes to financial statements.

CHATTAHOOCHEE HILLS CHARTER SCHOOL, INC
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Chattahoochee Hills Charter School, Inc. (“the School”), a Georgia not-for-profit organization, was established in 2013. The School was granted a charter by the Fulton County Board of Education (“School System”) pursuant to O.C.G.A § 20-2-2060 *et seq.*, the Charter Schools Act of 1998 to provide educational services to students in grades Kindergarten through 8. The term of the most recently authorized charter is from July 1, 2013 through June 30, 2018.

Basis of Presentation

The financial statements of the School have been prepared in conformity with accounting principles generally accepted in the United States (“GAAP”) as applied to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing government accounting and financial reporting principles. GASB has issued a codification of governmental accounting and financial reporting standards.

Government-Wide and Fund Financial Statements

The government-wide financial statements (Statement of Net Position and Statement of Activities) report on the School as a whole. The Statement of Activities demonstrates the degree to which the direct expenses of the School’s function are offset by program revenues.

The fund financial statements (Balance Sheet – Governmental Funds and Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds) report on the School’s General Fund and Debt Service Fund.

Fund Accounting

The School uses funds to maintain its financial records during the fiscal year. A fund is a fiscal and accounting entity with a self-balancing set of accounts. All of the operations of the School are presented in governmental funds only.

Governmental Funds

Government funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Fund liabilities are assigned to the fund from which they will be liquidated. The School reports the difference between governmental fund assets and liabilities and deferred inflows of resources as fund balance. The School reports the following major governmental funds:

(continued)

CHATTAHOOCHEE HILLS CHARTER SCHOOL, INC
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Governmental Funds (Continued)

General Fund

The general fund accounts for all financial resources except those required to be accounted for in another fund. The general fund's balance is available to the School for any purpose provided it is expended or transferred according to the general laws of the State of Georgia.

Proprietary Funds

Enterprise Fund

The enterprise fund accounts for operations which are financed and operated in a manner similar to private business enterprises. The costs of providing goods or services on a continuing basis are financed or recovered primarily through user charges. The School's enterprise fund results from its after school child care operation.

Measurement Focus

Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of the related cash flows. Grants and similar items are recognized as soon as all eligibility requirements imposed by the provider have been met.

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

(continued)

CHATTAHOOCHEE HILLS CHARTER SCHOOL, INC
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. At the fund reporting level, the governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of unavailable revenue, and in the presentation of expenses versus expenditures.

Revenue

The School is primarily funded by the School System based on a rate per student calculated by the School System. Resources provided in this manner are considered to be non-exchange transactions and are recognized in the fiscal year when use of the funds is first permitted. Other funding obtained through the School System, such as funding obtained directly from the federal government are also considered non-exchange transactions and are recognized in the fiscal year in which certain matching or expenditure requirements are met, such as resources obtained for a specific purpose or as a qualifying reimbursement, etc.

Certain charges for services, such as for food services, are considered exchange transactions and are recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded when the exchange takes place and in the fiscal year in which the resources are measurable and become available.

Unearned Revenue

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. On the modified accrual basis, expenditures generally are recognized in the accounting period in which the related fund liability is incurred and due, if measurable.

Assets, Liabilities, and Fund Equity

Cash and Cash Equivalents

The School considers all highly liquid investment instruments purchased with a maturity of three months or less to be cash equivalents.

(continued)

CHATTAHOOCHEE HILLS CHARTER SCHOOL, INC
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, and Fund Equity (Continued)

Interfund Balances

The School sometimes advances resources to other funds that will not be repaid in the current period. The fund balance of the loaning governmental fund is reserved at the fund reporting level to indicate it is not available for expenditure.

Capital Assets

Capital assets are stated at cost. Depreciation has been calculated on such assets using the straight line method over the following estimated useful lives:

<u>Type of Asset</u>	<u>Useful Life</u>
Technology and equipment	5-10 years
Leasehold improvements	15 years
Furniture and fixtures	5-10 years

Fund Balances

Fund balances are divided into five categories as defined by GASB 54, as follows:

Nonspendable

Fund balances classified as nonspendable are permanently nonspendable by decree of the donor, such as an endowment, or funds that are not in a spendable form, such as prepaid expenses or inventory on hand.

Restricted

Fund balances classified as restricted are legally restricted under legislation, bond authority, or grantor contract.

Committed

Fund balances classified as committed are commitments of future funds for specific purposes passed by the Board of Directors.

Assigned

Fund balances classified as assigned are funds that are intended by management to be used for a specific purpose, including encumbrances.

Unassigned

Fund balances classified as unassigned are funds available for any purpose.

(continued)

CHATTAHOOCHEE HILLS CHARTER SCHOOL, INC
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, and Fund Equity (Continued)

Fund Balances (Continued)

When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the School's policy to use restricted amounts first and then unrestricted amounts as they are needed

Net Position

Accounting standards require a Statement of Net Position and a Statement of Activities and Changes in Net Position. It requires the classification of net position into three components – net investment in capital assets; restricted; and unrestricted. These calculations are defined as follows:

Net Investment in Capital Assets

This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and related long-term debt.

Restricted

This component of net position results from constraints placed on net position by creditors, grantors, contributors, and other external parties, including those constraints placed on net position by law through constitutional provisions of enabling legislation adopted by the School.

Unrestricted

This component of net position consists of those assets that do not meet the definition of net investment in capital assets and restricted net position.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that may affect the financial statements. Accordingly, actual results could differ from those estimates.

Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with GAAP for nongovernmental entities. An annual budget is adopted for the operations of the School.

(continued)

CHATTAHOOCHEE HILLS CHARTER SCHOOL, INC
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The School is a not-for-profit organization exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). However, income from certain activities not directly related to the School's tax-exempt purpose is subject to taxation as unrelated business income.

The School only recognizes the tax benefit from an uncertain tax position taken or expected to be taken in a tax return if the tax position is more likely than not to be sustained upon an examination, based on the technical merits of the position. Management has analyzed tax positions taken for filings with the Internal Revenue Service and all state jurisdictions where the School operates. Management believes that income tax filing positions would be sustained upon examination and does not anticipate that any adjustments would result in a material adverse effect on the School's financial condition, results of operations or cash flows. Accordingly, the School has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at June 30, 2017. The School is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Subsequent Events

The School has evaluated subsequent events through the filing date of this report. Any significant events that have occurred through that date are included in these notes. See note 6 for more details.

NOTE 2 – LEASE COMMITMENTS

Operating Leases

During the year, the School began leasing a facility to house the School's activities. The lease term started September 22, 2014 and continues through June 30, 2019. The total minimum lease obligations for the period ending June 30, 2018 through June 30, 2019 is \$300,000 per year.

NOTE 3 – CONCENTRATIONS

Revenue

For the year ended June 30, 2017, the School received a significant portion of its annual revenue from the Fulton County Board of Education as a part of its charter agreement which is paid to the School in monthly installments.

Credit Risk

The School maintains its cash accounts at financial institutions in which amounts up to \$250,000 per institution are insured by the Federal Deposit Insurance Corporation (FDIC). As of June 30, 2017, the School held \$827,266 in uninsured cash balances.

CHATTAHOOCHEE HILLS CHARTER SCHOOL, INC
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017 is summarized below:

Description	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
Leasehold improvements	\$ 3,340	\$ 11,011	\$ -	\$ 14,351
Technology and equipment	85,775	59,476	-	145,251
Furniture	237,485	-	-	237,485
Construction-in-progress	4,050	-	-	4,050
Total	330,650	70,487	-	401,137
Less: Accumulated Depreciation	(79,930)	(60,945)	-	(140,875)
Capital Assets, net	\$ 250,720	\$ 9,542	\$ -	\$ 260,262

NOTE 5 - RETIREMENT PLAN

Plan Description

All teachers of the School as defined is §47-3-60 of the *Official Code of Georgia Annotated* (“O.C.G.A.”) and certain other support personnel as defined by §47-3-63 are provided a pension through TRS. TRS, a cost-sharing multiple-employer defined benefit pension plan, is administered by the TRS Board of Trustees (“TRS Board”). Title 47 of the *O.C.G.A.* assigns the authority to establish and amend the benefit provisions to the State Legislature. TRS issues a publicly available financial report that can be obtained at www.trsga.com/publications.

Benefits Provided

TRS provides service retirement, disability retirement, and death benefits. Normal retirement benefits are determined as 2% of the average of the employee’s two highest paid consecutive years of service, multiplied by the number of years of creditable service up to 40 years. An employee is eligible for normal service retirement after 30 years of creditable service, regardless of age, or after 10 years of service and attainment of age 60. Ten years of service is required for disability and death benefits eligibility. Disability benefits are based on the employee’s creditable service and compensation up to the time of disability. Death benefits equal the amount that would be payable to the employee’s beneficiary had the employee retired on the date of death. Death benefits are based on the employee’s creditable service and compensation up to the date of death.

(continued)

CHATTAHOOCHEE HILLS CHARTER SCHOOL, INC
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 5 - RETIREMENT PLAN (Continued)

Contributions

Per Title 47 of *O.C.G.A.*, contribution requirements of active employees and participating employers, as actuarially determined, are established and may be amended by the TRS Board. Pursuant to *O.C.G.A.* §47-3-63, the employer contributions for certain full-time public school support personnel are funded on behalf of the employer by the State of Georgia. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees were required to contribute 6.00% of their annual pay during fiscal year 2017. The School's contractually required contribution rate for the year ended June 30, 2017 was 14.27% of the School's annual payroll. The School's contributions to TRS were \$214,356 for the year ended June 30, 2017.

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

At June 30, 2017, the School reported a net pension liability of \$2,556,401.

The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2015. An expected total pension liability as of June 30, 2016 was determined using standard roll-forward techniques.

The School's proportion of the net pension liability was based on contributions to TRS during fiscal year ended June 30, 2016. At June 30, 2016, the School's proportion was 0.012391%, which was an increase of 0.001487% from its proportion measured as of June 30, 2015. For the year ended June 30, 2017, the School recognized pension expense of \$677,997. 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
Net difference between projected and actual earnings on pension plan investments	\$ 323,395	\$ -
Difference between expected and actual experience	38,083	12,641
Changes of assumptions	66,258	
Changes in proportion and differences between District contributions and proportionate share of contributions	1,343,157	-
School contributions subsequent to the measurement date	214,356	-
	<u>\$1,985,249</u>	<u>\$ 12,641</u>

(continued)

CHATTAHOOCHEE HILLS CHARTER SCHOOL, INC
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 5 - RETIREMENT PLAN (Continued)

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

The School's contributions subsequent to the measurement date of \$214,356 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Years ending June 30,</u>	<u>Amount</u>
2018	\$ 454,025
2019	454,025
2020	590,462
2021	245,254
2022	14,486
Thereafter	-

Actuarial Assumptions

The total pension liability as of June 30, 2017 was determined by an actuarial valuation as of June 30, 2015 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	3.25 – 9.00%, average, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females set back two years for males and set back three years for females.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2004 – June 30, 2009.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

(continued)

CHATTAHOOCHEE HILLS CHARTER SCHOOL, INC
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 5 – RETIREMENT PLAN (Continued)

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset class	Target allocation	Long-term expected real rate of return*
Fixed income	30.00%	3.00%
Domestic large equities	39.70%	6.50%
Domestic mid equities	3.70%	10.00%
Domestic small equities	1.60%	13.00%
International developed market equities	18.90%	6.50%
International emerging market equities	6.10%	11.00%
	100.00%	

*Rates shown are net of 3.00% assumed rate.

Discount Rate

The discount rate used to measure the total net pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and State of Georgia contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plans' fiduciary net position 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.

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 7.50%, 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 (6.50%) or 1-percentage-point higher (8.5%) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
School's proportionate share of the net pension liability	\$3,979,070	\$2,556,401	\$1,385,068

(continued)

CHATTAHOOCHEE HILLS CHARTER SCHOOL, INC
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 5 – RETIREMENT PLAN (Continued)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued TRS financial report which is publicly available at www.trsga.com/publications.

These notes should only be read in connection with the accompanying
financial statements and independent auditors' report.

CHATTAHOOCHEE HILLS CHARTER SCHOOL, INC.
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – GENERAL FUND – (UNAUDITED)
For the Year Ended June 30, 2017

	Budgeted Amounts	Actual Amounts	Over (Under) Budget
Revenues			
State funds	\$ 4,264,219	\$ 4,269,505	\$ 5,286
Federal funds	162,792	196,637	33,845
Charges for services	50,000	72,084	22,084
Other	35,700	93,652	57,952
Total Revenues	4,512,711	4,631,878	119,167
Expenditures			
Instruction	2,270,465	2,123,930	(146,535)
Support services:			
Pupil	185,151	299,349	114,198
Improvement of instructional staff	139,392	166,053	26,661
Educational media	52,153	48,027	(4,126)
General administration	10,121	21,134	11,013
School administration	433,170	386,483	(46,687)
Business administration	23,794	22,739	(1,055)
Maintenance and operation	757,394	575,230	(182,164)
Central services	115,046	119,960	4,914
School nutrition	255,953	281,759	25,806
Capital outlay	185,870	70,487	(115,383)
Total Expenditures	4,428,509	4,115,151	(313,358)
Excess of Revenues Over Expenditures	84,202	516,727	432,525
Other Financing Sources and (Uses)			
Operating transfers in	275,000	126,324	(148,676)
Total Other Financing Sources and (Uses)	275,000	126,324	(148,676)
Net Change in Fund Balance	\$ 359,202	643,051	\$ 283,849
Fund balance, beginning		334,328	
Fund Balance, End of Year		\$ 977,379	

This supplementary schedule should only be read in connection with the
accompanying independent auditors' report and notes to financial statements.

CHATTAHOOCHEE HILLS CHARTER SCHOOL, INC.
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHERS RETIREMENT SYSTEM OF GEORGIA
For the Year Ended June 30, 2017

	2017	2016
School's proportion of the net pension liability	.012391%	.010904%
School's proportionate share of the net pension liability	\$ 2,556,401	\$ 1,660,026
School's covered-employee payroll during the measurement period	\$ 1,509,549	\$ 1,279,577
School's proportion share of the net pension liability as a percentage of its covered-employee payroll	169.3%	129.7%
Plan fiduciary net position as a percentage of the total pension liability	76.06%	81.44%

***Note:** Schedule is intended to show information for the last ten (10) fiscal years.
Additional years will be displayed as they become available.*

This supplementary schedule should only be read in connection with the
accompanying independent auditors' report and notes to financial statements.

CHATTAHOOCHEE HILLS CHARTER SCHOOL, INC.
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
TEACHERS RETIREMENT SYSTEM OF GEORGIA
For the Year Ended June 30, 2017

	2017	2016
Contractually required contributions	\$ 214,356	\$ 166,345
Contributions in relation to the contractually required contribution	214,356	166,345
Contribution deficiency (excess)	\$ -	\$ -
School's covered-employee payroll	\$ 1,509,549	\$ 1,279,577
Contributions as a percentage of covered-employee payroll	14%	13%

***Note:** Schedule is intended to show information for the last ten (10) fiscal years.
Additional years will be displayed as they become available.*

This supplementary schedule should only be read in connection with the accompanying independent auditors' report and notes to financial statements.

CHATTAHOOCHEE HILLS CHARTER SCHOOL, INC.
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2017

NOTE 1 – CHANGES OF ASSUMPTIONS

In 2010 and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables rather than the 1994 Group Annuity Mortality Table, which was used prior to 2010. In 2010, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In 2010, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

On November 18, 2015, the Board adopted recommended changes to the economic and demographic assumptions utilized by the System. Primary among the changes were the updates to rates of mortality, retirement, disability, withdrawal and salary increases. The expectation of retired life mortality was changed to RP-2000 White Collar Mortality Table with future mortality improvement projected to 2025 with the Society of Actuaries' projection scale BB (set forward one year for males).

**NOTE 2 – METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF
ACTUARIALLY DETERMINED CONTRIBUTION**

The actuarially determined contribution rates in the schedule of contributions are calculated as of June 30, three years prior to the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the contractually required contributions for the year ended June 30, 2017 reported in that schedule:

Valuation date	June 30, 2015
Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	30 years
Asset valuation method	Five-year smoothed market
Inflation rate	2.75%
Salary increases	3.25 – 9.00%, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

These notes should only be read in connection with the accompanying
independent audit report and required supplementary information.



REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Board of Directors
Chattahoochee Hills Charter School, Inc.

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 Chattahoochee Hills Charter School, Inc. ("the School"), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, and cash flows for the year then ended, and the related notes to the 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

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

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 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. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be

prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses.

Compliance

As part of obtaining reasonable assurance about whether the School's financial statements are free from 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Marshall, Jones & Co.

Atlanta, Georgia
October 16, 2017

CHATTAHOOCHEE HILLS CHARTER SCHOOL, INC.
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2017

Internal Control Deficiencies:

Finding 2017-1: Reconciliations Not Performed on a Timely Basis (Material Weakness)

Criteria: The reconciliation (“synchronization”) of the accounts payable system (Bill.com) and the reconciliation of the bank statements on a monthly basis is an important control activity needed to ensure proper record keeping and accurate financial reporting.

Condition: For the year ended June 30, 2017, Bill.com synchronization and bank statement reconciliations had not been performed as a part of closing procedures at June 30, 2017. As a result, the monthly financial statements provided to management may have been unreliable. Additionally, substantial work had to be performed to prepare the year end records for review by financial statement auditors.

Cause: Primarily, turnover in management and accounting disrupted the School’s accounting policies and procedures and monitoring procedures were not established properly to detect this lapse of internal control.

Effect or Potential Effect: Without monthly Bill.com synchronization and monthly bank statement reconciliations, the risk significantly increases that errors and fraud related to the School’s financial reporting could occur and not be detected within a timely basis. Additionally, the risk increases that cash and other accounts on the School’s financial statements will be materially misstated.

Recommendation: Management and the board should implement formal accounting procedures including but not limited to synchronizing Bill.com and bank statements on a regular basis.

Views of Responsible Officials and Planned Corrective Actions: Management and the board agree and identified this as a weakness prior to the audit. Management adopted new financial policies in early FY2018 that mandate the monthly review of the reconciliation on bill.com and monthly reconciliation of all bank accounts.

Finding 2017-2: Ineffective Transition to New Accounting System (Material Weakness)

Criteria: Financial accounting systems from year to year should ensure the consistency of data over its entire life-cycle and account balances should agree to the audited financial statements at each fiscal year end.

Condition: For the year ended June 30, 2017, the School transitioned accounting systems and in doing so, lost comparability of account balances to the prior period.

Cause: Primarily, proper procedures were not followed to ensure data consistency and integrity.

Effect or Potential Effect: Transitioning between accounting systems year to year significantly increases the risk that account balances will be materially misstated, primarily due to failure to record proper opening balances in the new accounting system.

Recommendation: Management and the board maintain consistency in the financial accounting system used and develop procedures to follow when transitioning systems.

Views of Responsible Officials and Planned Corrective Actions: Management and the board agree and identified this as a weakness prior to the audit. Management does not plan to switch financial accounting systems and will seek assistance as needed from outside professionals to ensure proper procedures are used.