

CALHOUN FALLS CHARTER SCHOOL

CALHOUN FALLS, SOUTH CAROLINA

ANNUAL FINANCIAL REPORT

June 30, 2017

(With Independent Auditors' Report Thereon)

**CALHOUN FALLS CHARTER SCHOOL
CALHOUN FALLS, SOUTH CAROLINA
Annual Financial Report
Table of Contents
June 30, 2017**

FINANCIAL SECTION

	<u>Page(s)</u>
Independent Auditors’ Report on Financial Statements	1-2
Management’s Discussion and Analysis	3-8
 BASIC FINANCIAL STATEMENTS	
<u>Exhibit</u>	
Government-wide Financial Statements	
A Statement of Net Position.....	9
B Statement of Activities.....	10
 Fund Financial Statements	
C Balance Sheet - Governmental Funds.....	11
D Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	12
E Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds.....	13
F Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	14
 Statements of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual	
G General Fund.....	15
H Special Revenue Fund.....	16
I Education Improvement Act Fund.....	17
 Notes to the Basic Financial Statements	 18-31

**CALHOUN FALLS CHARTER SCHOOL
CALHOUN FALLS, SOUTH CAROLINA
Annual Financial Report
Table of Contents
June 30, 2017**

FINANCIAL SECTION, Continued

REQUIRED SUPPLEMENTARY INFORMATION

<u>Schedule</u>	<u>Page(s)</u>
1 Schedule of the Proportionate Share of the Net Pension Liability.....	32
2 Schedule of School Contributions.....	33
3 General Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual.....	34-37

OTHER SUPPLEMENTARY INFORMATION

4 Special Revenue Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance.....	38-42
5 Special Revenue Fund - Schedule of Program Classifications.....	43
6 Summary Schedule for Designated State Restricted Grants.....	44
7 Education Improvement Act - Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance - All Programs.....	45-46
8 Education Improvement Act - Summary Schedule by Program.....	47
9 Schedule of Due to SC Department of Education/Federal Government.....	48

COMPLIANCE SECTION

10 Schedule of Findings and Questioned Costs.....	49
11 Schedule of Prior Year Findings.....	50
Independent Auditors' Report on Compliance and Other Matters and on Internal Control Over Financial Reporting Based on an Audit of Basic Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	51



MARTIN · SMITH

& COMPANY CPAs

INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS

Board of Directors
Calhoun Falls Charter School
Calhoun Falls, South Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Calhoun Falls Charter School (“the School”), a component unit of the South Carolina Public Charter School District, as of and for the year ended June 30, 2017, which collectively comprise the School’s basic financial statements, as listed in the accompanying 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 the 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit 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 in the first paragraph above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Calhoun Falls Charter School at June 30, 2017, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Board of Directors
Calhoun Falls Charter School
Calhoun Falls, South Carolina

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and the pension schedules, as listed in the accompanying table of contents, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is supplementary information 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 the 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.

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The schedule of revenues, expenditures, and changes in fund balance – general fund; schedule of revenues, expenditures, and changes in fund balance – special revenue fund; schedule of revenues, expenditures, and changes in fund balance – special revenue - EIA fund; and other supplemental schedules, as listed in the accompanying table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements of Calhoun Falls Charter School. Such information 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 such information is fairly presented in all material respects in relation to the financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 1, 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 grants. The purpose of that report is to describe the scope of 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 and should be considered in assessing the results of our audit.

Martin Smith and Company CPAs PA

September 1, 2017

**CALHOUN FALLS CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year ended June 30, 2017**

This discussion and analysis of Calhoun Falls Charter School's ("the School") financial performance provides an overview of the School's financial activities for the fiscal year ended June 30, 2017. The intent of this discussion and analysis is to look at the School's financial performance as a whole. Readers should also review the notes to the basic financial statements and the financial statements themselves to enhance their understanding of the School's financial performance.

FINANCIAL HIGHLIGHTS

The liabilities and deferred inflows of resources of the School exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by \$1,264,104 (net deficit). Of this amount, \$226,903 represented an investment in capital assets, net of accumulated depreciation and related debt. Therefore, the School reported a deficit balance in unrestricted net position of \$1,491,007. This deficit is entirely due to the implementation of Government Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions*. The School is allocated its proportionate share of the net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense of the South Carolina Retirement System plan.

The School's total net position decreased by \$1,327 during the current fiscal year. The School continued its efforts toward its growth plan for student enrollment and coupled its revenue increases with careful cost containment efforts.

As of the close of the current fiscal year, the School's governmental funds reported a combined ending fund balance of \$498,215. This was an increase of \$228,527 in comparison with the prior year.

The School's total capital assets, net of accumulated depreciation, decreased by \$4,444 during the current fiscal year due to the fact that depreciation expense exceeded capital additions for the year.

During the 2017 fiscal year, the School's governmental fund type revenues were \$2,481,901 compared to \$2,313,386 in the prior year, a decrease of 7.0%.

During the current fiscal year, the School's governmental fund type expenditures of \$2,253,374 were \$4,093 less than in the prior year. These decreased expenditures were the result of the careful attention to expense reduction.

This annual report consists of four parts – required supplementary information in the form of this management's discussion and analysis, the basic financial statements including government-wide and fund financial statements, the notes to the financial statements, and required supplementary information in the form of budgetary comparison schedules and notes to the budgetary comparison schedules.

The basic financial statements include two kinds of statements that present different views of the School. The first two statements are government-wide financial statements that provide a broad overview of the School's overall financial status, in a manner similar to a private-sector enterprise.

**CALHOUN FALLS CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year ended June 30, 2017**

OVERVIEW OF THE FINANCIAL STATEMENTS

The Statement of Net Position presents information on all of the School's assets, deferred inflows and outflows, 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 government's net position is reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, for some items, revenues and expenses are reported in this statement that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

The Government-wide Financial Statements can be found at Exhibits A and B of this report.

The remaining basic financial statements are Fund Financial Statements which focus on individual parts of the School, reporting the School's operations in more detail than the government-wide statements.

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related requirements. All of the funds of the School are governmental funds, one of three types of funds (governmental, proprietary, and fiduciary).

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 uses of expendable resources, as well as on balances of expendable 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 for governmental activities 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 governmental fund 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 three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the Special Revenue Fund. The basic Governmental Fund Financial Statements can be found at Exhibits C, D, E, and F of this report.

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 School adopts an annual appropriated budget for its General Fund, Special Revenue Fund, and Special Revenue – Education Improvement Act ("EIA") Fund. A budgetary comparison statement has been provided in the required supplementary information section for these funds to demonstrate compliance with their budgets. These statements can be found at Exhibits G, H, and I of this report.

**CALHOUN FALLS CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year ended June 30, 2017**

OVERVIEW OF THE FINANCIAL STATEMENTS, Continued

Major Features of the School's Government-wide and Fund Financial Statements		
	Government-wide Statements	Fund Financial Statements
		<i>Government Funds Only</i>
Scope	Entire School unit	The activities of the School that are not proprietary or fiduciary
Required financial statements	Statement of Net Position Statement of Activities	Balance sheet Statement of Revenues, Expenditures, and Changes in Fund Balances
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used and liabilities that come due during the year or soon thereafter; no capital assets included
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods/services have been received and payment is due during the year or soon after

**CALHOUN FALLS CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year ended June 30, 2017**

OVERVIEW OF THE FINANCIAL STATEMENTS, Continued

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the School, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$1,264,104 at the close of the most recent fiscal year.

The following table provides a summary of the School's net position for 2017 compared to 2016:

	<u>2017</u>	<u>2016</u>
Assets		
Current and other assets	\$ 814,185	\$ 561,017
Capital assets	226,903	231,347
Total assets	<u>1,041,088</u>	<u>792,364</u>
Deferred Outflows of Resources	<u>1,608,624</u>	<u>124,649</u>
Liabilities		
Unearned revenues	108,968	98,156
Other liabilities	207,002	193,173
Long-term liabilities	3,001,700	1,019,774
Total liabilities	<u>3,317,670</u>	<u>1,311,103</u>
Deferred Inflows of Resources	<u>596,146</u>	<u>868,687</u>
Net Position		
Net investment in capital assets	226,903	231,347
Unrestricted (deficit)	<u>(1,491,007)</u>	<u>(1,494,124)</u>
Total net position (deficit)	<u>\$ (1,264,104)</u>	<u>\$ (1,262,777)</u>

During the current fiscal year, net position of the School's activities decreased by \$1,327. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – changed to a deficit balance of \$1,491,007 at June 30, 2017. The deficit net position for the year ended June 30, 2016 and 2017 is the result of the implementation of GASB No. 68, *Accounting and Financial Reporting for Pensions*.

**CALHOUN FALLS CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year ended June 30, 2017**

OVERVIEW OF THE FINANCIAL STATEMENTS, Continued

The following table shows the changes in net position for fiscal year 2017 compared to 2016:

Changes in Net Position

	<u>Governmental Activities</u>	
	<u>2017</u>	<u>2016</u>
Revenues		
Program revenues:		
Charges for services	\$ -	\$ -
Operating grants	2,186,553	2,005,700
Capital grants	-	-
General revenue:		
Local revenue	<u>295,348</u>	<u>307,687</u>
Total revenues	<u>2,481,901</u>	<u>2,313,387</u>
Program Expenses		
Instruction	1,207,848	887,777
Support services	<u>1,275,380</u>	<u>1,129,930</u>
Total expenses	<u>2,483,228</u>	<u>2,017,707</u>
Transfers to proprietary fund	<u>-</u>	<u>-</u>
Increase (decrease) in net position	<u>\$ (1,327)</u>	<u>\$ 295,680</u>

Governmental Activities:

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

Governmental Funds

For the year ended June 30, 2017, the School's governmental funds reported a combined fund balance of \$498,215, as compared to a combined fund balance of \$269,688 for the prior year.

The Special Revenue and EIA Fund consists of federal grants in the amount of \$336,680, and state revenue of \$1,127,522, and was used to fund instruction and support service expenditures. This special revenue funding was higher in the current fiscal year than in the previous year.

General Fund Budgetary Highlights

The School's budget is prepared according to South Carolina law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund.

**CALHOUN FALLS CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year ended June 30, 2017**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2017, the School had \$226,903 invested in capital assets, net of depreciation and related debt.

The total decrease in the School's investment in capital assets was \$4,444. Acquisitions during the year totaled \$52,180 and depreciation expense of \$56,624 was recognized.

The following table shows fiscal 2017 balances compared to 2016:

**Capital Assets at June 30
Capital Assets (Net of Depreciation)**

	Governmental Activities	
	2017	2016
Leasehold improvements	\$ 26,527	\$ 30,681
Equipment and furniture	158,861	182,831
Vehicles	41,515	17,835
Totals	\$ 226,903	\$ 231,347

Long-term Debt

At fiscal year-end, the School had no long-term capital indebtedness.

As noted earlier, other obligations include accounts payable and other accrued expenses. More detailed information about the School's debt and other long-term liabilities, including its net pension liability, is presented in the notes to the financial statements.

Contacting the School's Financial Management

This financial report is designed to provide interested parties with a general overview of the School's finances and to show the School's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the School's business office located at 205 Edgefield Street, Calhoun Falls, South Carolina 29628.

CALHOUN FALLS CHARTER SCHOOL
CALHOUN FALLS, SOUTH CAROLINA
Statement of Net Position
June 30, 2017

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$ 595,394
Due from other governmental units	218,791
Capital assets, net of accumulated depreciation	<u>226,903</u>
Total assets	<u>1,041,088</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Deferred amounts related to pensions	<u>1,608,624</u>
Total deferred outflows of resources	<u>1,608,624</u>
<u>LIABILITIES</u>	
Accounts payable and accrued liabilities	77,618
Accrued payroll and payroll liabilities	129,384
Unearned income	108,968
Net pension liability	<u>3,001,700</u>
Total liabilities	<u>3,317,670</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Deferred amounts related to pensions	<u>596,146</u>
Total deferred inflows of resources	<u>596,146</u>
<u>NET POSITION</u>	
Net investment in capital assets	226,903
Unrestricted net position	<u>(1,491,007)</u>
Total net position	<u>\$ (1,264,104)</u>

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

**CALHOUN FALLS CHARTER SCHOOL
CALHOUN FALLS, SOUTH CAROLINA
Statement of Activities
For the Year Ended June 30, 2017**

<u>Functions / Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenue and Changes in Net Position</u>
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental activities:					
Instruction	\$ 1,207,848	\$ -	\$ 1,063,544	\$ -	\$ (144,304)
Support services	1,275,380	-	1,123,009	-	(152,371)
Total governmental activities	<u>\$ 2,483,228</u>	<u>\$ -</u>	<u>\$ 2,186,553</u>	<u>\$ -</u>	<u>(296,675)</u>
General revenues:					
Contributions					142,632
Other revenue					152,716
Total general revenues					<u>295,348</u>
Change in net position					(1,327)
Net position, beginning of year					<u>(1,262,777)</u>
Net position, end of year					<u>\$ (1,264,104)</u>

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

CALHOUN FALLS CHARTER SCHOOL
CALHOUN FALLS, SOUTH CAROLINA
Balance Sheet - Governmental Funds
June 30, 2017

	<u>General</u>	<u>Special Revenue</u>	<u>Special Revenue - EIA</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 595,394	\$ -	\$ -	\$ 595,394
Due from other governmental units	218,791	-	-	218,791
Due from other funds	<u>-</u>	<u>-</u>	<u>102,010</u>	<u>102,010</u>
Total assets	<u>\$ 814,185</u>	<u>\$ -</u>	<u>\$ 102,010</u>	<u>\$ 916,195</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable and accrued expenses	\$ 77,618	\$ -	\$ -	\$ 77,618
Accrued payroll and payroll liabilities	129,384	-	-	129,384
Due to other funds	102,010	-	-	102,010
Unearned income	<u>6,958</u>	<u>-</u>	<u>102,010</u>	<u>108,968</u>
Total liabilities	<u>315,970</u>	<u>-</u>	<u>102,010</u>	<u>417,980</u>
Fund balances:				
Nonspendable	-	-	-	-
Unassigned	<u>498,215</u>	<u>-</u>	<u>-</u>	<u>498,215</u>
Total fund balances	<u>498,215</u>	<u>-</u>	<u>-</u>	<u>498,215</u>
Total liabilities and fund balances	<u>\$ 814,185</u>	<u>\$ -</u>	<u>\$ 102,010</u>	<u>\$ 916,195</u>

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

**CALHOUN FALLS CHARTER SCHOOL
CALHOUN FALLS, SOUTH CAROLINA
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2017**

Total fund balances - governmental funds	\$	498,215
<p style="margin-left: 40px;">Amounts reported for governmental activities in the Statement of Net Position are different because of the following:</p>		
<p style="margin-left: 40px;">Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds. The cost of assets is \$593,651 and the accumulated depreciation is \$366,748.</p>		
		226,903
<p style="margin-left: 40px;">Long-term liabilities, including pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds.</p>		
		(3,001,700)
<p style="margin-left: 40px;">Deferred outflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.</p>		
		1,608,624
<p style="margin-left: 40px;">Deferred inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.</p>		
		<u>(596,146)</u>
Net position of governmental activities	\$	<u><u>(1,264,104)</u></u>

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

CALHOUN FALLS CHARTER SCHOOL
CALHOUN FALLS, SOUTH CAROLINA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2017

	<u>General</u>	<u>Special Revenue</u>	<u>EIA</u>	<u>Total Governmental Funds</u>
REVENUES				
Local sources	\$ 278,483	\$ 16,864	\$ -	\$ 295,347
State sources	722,352	4,567	1,122,955	1,849,874
Federal sources	-	336,680	-	336,680
	<u>1,000,835</u>	<u>358,111</u>	<u>1,122,955</u>	<u>2,481,901</u>
EXPENDITURES				
Current:				
Instruction	790,596	126,927	144,255	1,061,778
Support services	837,858	245,861	39,095	1,122,814
Community services	-	-	-	-
Debt service	-	-	-	-
Capital Outlay	19,385	-	49,397	68,782
	<u>1,647,839</u>	<u>372,788</u>	<u>232,747</u>	<u>2,253,374</u>
Excess (deficiency) of revenues over expenditures	<u>(647,004)</u>	<u>(14,677)</u>	<u>890,208</u>	<u>228,527</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	890,208	14,677	-	904,885
Operating transfers out	(14,677)	-	(890,208)	(904,885)
	<u>875,531</u>	<u>14,677</u>	<u>(890,208)</u>	<u>-</u>
Net change in fund balances	<u>228,527</u>	<u>-0-</u>	<u>-0-</u>	<u>228,527</u>
Fund balance, July 1, 2016	<u>269,688</u>	<u>-0-</u>	<u>-0-</u>	<u>269,688</u>
Fund balance, June 30, 2017	<u>\$ 498,215</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 498,215</u>

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

**CALHOUN FALLS CHARTER SCHOOL
CALHOUN FALLS, SOUTH CAROLINA
Reconciliation of Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2017**

Total net change in fund balance - governmental funds	\$ 228,527
<p>Amounts reported for governmental activities in the Statement of Activities are different because of the following:</p>	
<p>Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation (\$56,624) exceeds capital outlays (\$52,180) in the period.</p>	(4,444)
<p>Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense. This is the amount by which the costs of benefits earned (\$333,118) exceeds employee contributions (\$107,708).</p>	<u>(225,410)</u>
Change in net position of governmental activities	<u><u>\$ (1,327)</u></u>

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

CALHOUN FALLS CHARTER SCHOOL
CALHOUN FALLS, SOUTH CAROLINA
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual
General Fund
For the Year Ended June 30, 2017

	<u>Original</u>	<u>Final</u>	<u>Actual</u> <u>(Budgetary Basis)</u>	<u>Variance with</u> <u>Final Budget -</u> <u>Favorable</u> <u>(Unfavorable)</u>
REVENUES				
Local	\$ 208,500	\$ 208,500	\$ 278,483	\$ 69,983
State	681,602	681,602	722,352	40,750
Federal	-	-	-	-
	<u>890,102</u>	<u>890,102</u>	<u>1,000,835</u>	<u>110,733</u>
Total revenue				
EXPENDITURES				
Current:				
Instruction	857,350	857,350	790,596	66,754
Support services	831,771	831,771	837,858	(6,087)
Community services	-	-	-	-
Debt service	-	-	-	-
Capital outlay	29,000	29,000	19,385	9,615
	<u>1,718,121</u>	<u>1,718,121</u>	<u>1,647,839</u>	<u>70,282</u>
Total expenditures				
Excess (deficiency) of revenues over expenditures	<u>(828,019)</u>	<u>(828,019)</u>	<u>(647,004)</u>	<u>181,015</u>
OTHER FINANCING SOURCES (USES)				
Transfer from EIA Fund	840,341	840,341	890,208	49,867
Transfer to Special Revenue Fund	-	-	(14,677)	(14,677)
	<u>840,341</u>	<u>840,341</u>	<u>875,531</u>	<u>35,190</u>
Total other financing sources (uses)				
Net change in fund balance	\$ <u>12,322</u>	\$ <u>12,322</u>	228,527	\$ <u>216,205</u>
Fund balance, July 1, 2016			<u>269,688</u>	
Fund balance, June 30, 2017			\$ <u>498,215</u>	

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

CALHOUN FALLS CHARTER SCHOOL
CALHOUN FALLS, SOUTH CAROLINA
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual
Special Revenue Fund
For the Year Ended June 30, 2017

	Original	Final	Actual (Budgetary Basis)	Variance with Final Budget - Favorable (Unfavorable)
REVENUES				
Local	\$ 15,760	\$ 15,760	\$ 16,864	\$ 1,104
State	5,112	5,112	4,567	(545)
Federal	287,609	287,609	336,680	49,071
Total revenue	308,481	308,481	358,111	49,630
EXPENDITURES				
Current:				
Instruction	85,308	85,308	126,927	(41,619)
Support services	223,173	223,173	245,861	(22,688)
Community services	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	308,481	308,481	372,788	(64,307)
Excess (deficiency) of revenues over expenditures	-0-	-0-	(14,677)	(14,677)
OTHER FINANCING SOURCES (USES)				
Transfer from General Fund	-	-	14,677	14,677
Total other financing sources (uses)	-	-	14,677	14,677
Net change in fund balance	\$ -0-	\$ -0-	-0-	\$ -0-
Fund balance, July 1, 2016			-0-	
Fund balance, June 30, 2017			\$ -0-	

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

CALHOUN FALLS CHARTER SCHOOL
CALHOUN FALLS, SOUTH CAROLINA
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual
Education Improvement Act Fund
For the Year Ended June 30, 2017

	<u>Original</u>	<u>Final</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget - Favorable (Unfavorable)</u>
REVENUES				
Local	\$ -	\$ -	\$ -	\$ -
State	1,051,912	1,055,528	1,122,955	67,427
Federal	-	-	-	-
	<u>1,051,912</u>	<u>1,055,528</u>	<u>1,122,955</u>	<u>67,427</u>
Total revenue				
EXPENDITURES				
Current:				
Instruction	165,384	169,000	144,255	24,745
Support services	10,187	10,187	39,095	(28,908)
Community services	-	-	-	-
Capital outlay	36,000	36,000	49,397	(13,397)
	<u>211,571</u>	<u>215,187</u>	<u>232,747</u>	<u>(17,560)</u>
Total expenditures				
Excess (deficiency) of revenues over expenditures	<u>840,341</u>	<u>840,341</u>	<u>890,208</u>	<u>49,867</u>
OTHER FINANCING SOURCES (USES)				
Transfer to General Fund	<u>(840,341)</u>	<u>(840,341)</u>	<u>(890,208)</u>	<u>(49,867)</u>
Total other financing sources (uses)	<u>(840,341)</u>	<u>(840,341)</u>	<u>(890,208)</u>	<u>(49,867)</u>
Net change in fund balance	<u><u>\$ -0-</u></u>	<u><u>\$ -0-</u></u>	<u><u>-0-</u></u>	<u><u>\$ -0-</u></u>
Fund balance, July 1, 2016			<u>-0-</u>	
Fund balance, June 30, 2017			<u><u>\$ -0-</u></u>	

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

CALHOUN FALLS CHARTER SCHOOL
Notes to the Basic Financial Statements
June 30, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Calhoun Falls Charter School (“the School”) is a non-profit organization incorporated in the state of South Carolina and organized under the South Carolina Charter School Act. The School was initially formed in August 2008. The School operates within the South Carolina Public Charter School District (“the District”). The School serves students in grades 6 through 12 in Abbeville, South Carolina.

The accounting policies of the School conform to accounting principles generally accepted in the United States of America (“GAAP”) as applicable to governments. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The School is a charter school under legislation enacted on June 18, 1996. A charter school is considered a public school and the School is a part of the South Carolina Public Charter School District for the purposes of state law and state constitution. Because the District Board of Trustees can significantly influence operations and the District provides substantial financial support, the School’s financial statements are included in those of the District as a discretely presented component unit.

B. Government-wide and Fund Financial Statements

The Government-wide Financial Statements include the Statement of Net Position and the Statement of Activities which report information on the School as a whole, except for fiduciary funds, if any. Eliminations have been to minimize the effect of internal activities upon revenues and expenses. These statements distinguish between governmental and business-type activities of the School. The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges paid by the recipient of goods or services offered by the program, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Other items not properly included among program revenues are reported instead as general revenues. Separate financial statements are provided for the governmental funds. Major individual governmental funds are reported as separate columns in the Fund Financial Statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Government-wide Financial Statements are reported 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 related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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 both 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 fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, are recorded only when payment is due. All other revenue items are considered to be measurable and available only when cash is received by the School.

The accounts of the government are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

CALHOUN FALLS CHARTER SCHOOL
Notes to the Basic Financial Statements
June 30, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation, Continued

The School reports the following major governmental funds:

- The General Fund is the School's primary operating fund. It accounts for all financial resources of the School, except those required to be accounted for in another fund. All general revenues and other receipts that are not allocated by law or contractual agreement to other funds are accounted for in the General Fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund. This is a budgeted fund, and any fund balance is considered a resource available for use.
- The Special Revenue Fund accounts for specific revenue sources that are legally restricted to expenditures for specified purposes. Money in this fund is expended according to the provisions of general statutes applicable to charter schools.
- The Special Revenue - Education Improvement Act ("EIA") Fund is used to account for the revenue from the South Carolina Education Improvement Act of 1984 which is legally required by the state to be accounted for as a specific revenue source.

D. Assets, Liabilities, Deferred Inflows/Outflows of Resources and Net Position or Fund Balance

1) Deposits and Investments

The School's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. The School pools money from its funds to facilitate disbursements and maximize investment income. Investments are reported at fair value.

2) Prepaid items

Payments made to vendors for services benefiting future periods are recorded as prepaid items in both government-wide and fund financial statements using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

3) Receivables and Payables

During the course of operations, numerous transactions occur between the School, vendors and revenue sources for goods provided or services rendered. Amounts due from individuals, organizations or other governmental units are recorded as receivables at year-end. All receivables are considered fully collectible; therefore, no allowance has been made for doubtful accounts. Amounts due to individuals, vendors or other governmental units are recorded as payables at year-end.

4) Short-term Interfund Receivables and Payables

On Fund Financial Statements, receivables and payables resulting from short-term interfund loans are classified as "due from other funds" or "due to other funds". These amounts are eliminated in the governmental column of the Statement of Net Position.

CALHOUN FALLS CHARTER SCHOOL
Notes to the Basic Financial Statements
June 30, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

D. Assets, Liabilities, Deferred Inflows/Outflows of Resources and Net Position or Fund Balance, Continued

5) Capital Assets

Capital assets include leasehold improvements, equipment and furniture, and vehicles. Capital assets are defined by the School as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Description	Years
Leasehold improvements	10
Equipment and furniture	3 - 5
Vehicles	7

6) Compensated Absences

Vacation is noncumulative and employees are not paid for unused vacation days. Sick pay is nonvesting. Due to these policies and other uncertainties, there is no vested or accumulated vacation or sick pay that is expected to be paid after year end.

7) Long-term Obligations

In the government-wide financial statements long-term debt and long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. In the Fund Financial Statements, governmental fund types recognize principal and interest payments as expenditures of the current period and report the face amount of debt issued as other financing sources.

8) Pension Plan

In Government-wide Financial Statements, pensions are required to be recognized and disclosed using the accrual basis of accounting, regardless of the amount recognized as pension expenditures on the modified accrual basis of accounting. The School recognizes a net pension liability ("NPL"), which represents the School's proportionate share of the excess of the total pension liability over the fiduciary net position of the qualified pension plan, measured as of the School's fiscal year-end. Changes in the NPL during the period are recorded as pension expense, or as deferred outflows or inflows of resources depending on the nature of the change, in the period incurred. Those changes in NPL that are recorded as deferred outflows or inflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the respective qualified pension plan and recorded as a component of pension expense beginning with the period in which they are incurred. Projected earnings on qualified pension plan investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred outflows or inflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

CALHOUN FALLS CHARTER SCHOOL
Notes to the Basic Financial Statements
June 30, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

D. Assets, Liabilities, Deferred Inflows/Outflows of Resources and Net Position or Fund Balance, Continued

9) Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. School contributions to the plan subsequent to the measurement date and the net difference between expected and actual experience in the pension plan are included as deferred outflows of resources. These deferred pension charges are either (a) recognized in the subsequent period as a reduction of the net pension liability (which includes pension contributions made after the measurement date) or (b) amortized in a systematic and rational way to pension expense in future periods in accordance with GAAP.

In addition to liabilities, the Statement of Net 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(s) and so will not be recognized as an inflow of resources (revenue) until that time. The net difference between projected and actual earnings on pension plan investments are included as deferred inflows of resources. These deferred pension credits are amortized in a systematic and rational way as a reduction to pension expense in future periods in accordance with GAAP.

10) Fund Equity

In the Fund Financial Statements, fund balance classifications depict the nature of the net resources reported in the governmental funds. Individual governmental funds may include nonspendable resources and amounts that are restricted, committed, or assigned, or any combination of these classifications. The General Fund also includes unassigned amounts. The School considers that committed amounts are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of these unrestricted fund balance classifications could be used. The School's policy is to apply expenditures against nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year by adjusting journal entries. First, nonspendable fund balances are determined. Then restricted fund balances for specific purposes, if any are determined. Then any remaining fund balance amounts for the non-general funds. Committed fund balance amounts are established by the School Board through motions passed at the School Board meetings. Assigned fund balance amounts are established by the School administration. The School has no assigned fund balance amounts.

Nonspendable Fund Balance - includes amounts which cannot be spent. This includes items that may not be in spendable form or that may be legally or contractually required to be maintained intact. The School's nonspendable fund balance represents amounts not in spendable form.

Restricted Fund Balance - includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

Committed Fund Balance - includes amounts that can only be used for the specific purposes pursuant to constraints imposed by a formal action of the School Board.

Assigned Fund Balance - includes amounts that are constrained by the School's intent to be used for a specific purpose, but are neither restricted nor committed. Assignments of fund balance are established by the School administration.

CALHOUN FALLS CHARTER SCHOOL
Notes to the Basic Financial Statements
June 30, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

D. Assets, Liabilities, Deferred Inflows/Outflows of Resources and Net Position or Fund Balance, Continued

10) Fund Equity, continued

Unassigned Fund Balance - is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it may be necessary to report a negative unassigned fund balance.

11) Net Position

Net position represents the difference between assets plus deferred outflows and liabilities plus deferred inflows. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Outstanding debt, which has not been spent, is included in the same net assets component as the unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

12) Fair Value

The fair value measurement and disclosure framework provides for a three-tier fair value hierarchy that gives highest priority to quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the School can access at the measurement date.

Level 2 – Inputs to the valuation methodology, other than quoted prices included in Level 1 that are observable for an asset or liability either directly or indirectly and include:

- Quoted prices for similar assets and liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted market prices that are observable for the asset or liability.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Inputs to the valuation methodology that are unobservable for an asset or liability and include:

- Fair value is often based on developed models in which there are few, if any, observable inputs.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used should maximize the use of observable inputs and minimize the use of unobservable inputs.

The valuation methodologies described above may produce a fair value calculation that may not be indicative of future net realizable values or reflective of future fair values. The School believes that the valuation methods used are appropriate and consistent with GAAP. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no significant changes from the prior year in the methodologies used to measure fair value.

CALHOUN FALLS CHARTER SCHOOL
Notes to the Basic Financial Statements
June 30, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

D. Assets, Liabilities, Deferred Inflows/Outflows of Resources and Net Position or Fund Balance, Continued

13) Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles as applicable to governmental units requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue, expenditures or expenses during the reporting period. Actual results could differ from those estimates.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets for all governmental funds are adopted on the modified accrual basis for accounting, which is consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at fiscal year end and the School does not employ encumbrance accounting.

Each budget is prepared by function and object as dictated by the State of South Carolina adopted Program Oriented Budgeting and Accounting System and for management control purposes. The School's policies allow funds to be transferred between functions. However, the total budget cannot be increased beyond that level without approval of the School's Board. The legal level of control is at the fund level. During the year, the School revised the budget. The administration has discretionary authority to make transfers between appropriation accounts but did not make such transfers this year. The budget amounts in the financial statements are as amended by the Board.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

The School's cash investment objectives are preservation of capital, liquidity and yield. The School is authorized to invest in securities as allowed by South Carolina statute. Those investments are restricted to:

- 1) Obligations of the United States and agencies thereof;
- 2) General obligations of the State of South Carolina or any of its political units;
- 3) Savings and loan associations to the extent that the same are secured by the Savings Association Insurance Fund of the Federal Deposit Insurance Corporation ("FDIC");
- 4) Certificates of deposit where the certificates are collaterally secured by securities of the type described in (1) and (2) above held by a third party as escrow agent or custodian, of a market value not less than the amount of the certificates of deposit so secured, including interest. Investments, which consist of certificates of deposit, are stated at cost which approximates market. During the year, investments made but not held as of the balance sheet date consisted of certificates of deposit.

CALHOUN FALLS CHARTER SCHOOL
Notes to the Basic Financial Statements
June 30, 2017

III. DETAILED NOTES ON ALL FUNDS, Continued

A. Deposits and Investments, Continued

Custodial credit risk – Custodial credit risk is the risk that the School’s deposits will not be returned to it. The School has no formal policy regarding custodial credit risk. The total cash balances are insured by the FDIC up to \$250,000 per bank. At June 30, 2017, the School’s carrying amount of deposits was \$595,394 and the bank balance was \$715,631, of which \$438,083 was neither collateralized nor covered by Federal Depository Insurance.

Credit risk - South Carolina state statues only authorize the School to invest in certain types of investments. The School has no investment policy that would further restrict its choices.

Interest rate risk – The School does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of credit risk - Concentration of credit risk is the risk of loss attributed to the magnitude of the School’s investment in a single issuer. The School does not have a policy that limits the amount that may be invested in any one issuer.

B. Due From and Due to Other Funds/Transfers From and To Funds

At June 30, 2017, there was \$102,010 due to or from the General Fund and Special Revenue Funds. During the course of regular operations, the School has transactions between funds to provide services. These transactions are generally reflected as transfers. During the year ended June 30, 2017, the School transferred \$14,677 from the General Fund to the Special Revenue Fund to pay school food service expense above the fees collected. The School also transferred \$43,436 from the Special Revenue – EIA Fund to the General Fund to pay certain payroll and related expenses and transferred \$846,772 of charter school funding from the Special Revenue – EIA Fund to the General Fund to pay certain expenses.

C. Capital Assets

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

	<u>Beginning</u> <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balance</u>
Governmental activities:				
Capital assets being depreciated:				
Leasehold improvements	\$ 41,542	\$ -	\$ -	\$ 41,542
Equipment and furniture	475,403	23,076	-	498,479
Vehicles	24,526	29,104	-	53,630
Total capital assets being depreciated	<u>541,471</u>	<u>52,180</u>	<u>-</u>	<u>593,651</u>
Less accumulated depreciation for:				
Leasehold improvements	10,861	4,154	-	15,015
Equipment and furniture	292,572	47,046	-	339,618
Vehicles	6,691	5,424	-	12,115
Total accumulated depreciation	<u>310,124</u>	<u>56,624</u>	<u>-</u>	<u>366,748</u>
Governmental activities capital assets, net	\$ <u>231,347</u>	\$ <u>(4,444)</u>	\$ <u>-</u>	\$ <u>226,903</u>

Depreciation expense charged to functions/programs was as follows:

Instruction	\$ 47,046
Support services	<u>9,578</u>
Total depreciation expense for governmental activities	<u>\$ 56,624</u>

CALHOUN FALLS CHARTER SCHOOL
Notes to the Basic Financial Statements
June 30, 2017

IV. OTHER INFORMATION

A. 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 a general liability policy and an errors and omissions policy with a commercial carrier. 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 three fiscal years.

B. Commitments

The School leases its facility under an operating lease with the Town of Calhoun Falls for one dollar (\$1.00) which is payable annually at the beginning of the school year. The lease is effective for the duration of the School's charter, or until such time that both parties agree to a more formal lease arrangement. For the year ended June 30, 2017, in-kind revenue and expense of \$139,500 was recorded for the use of the facility.

C. Contingencies

The School participates in a number of federal and state assisted grant programs. These programs are still subject to financial and compliance audits by the grantors or their representatives. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. Based on prior experience, the School's management believes such disallowances, if any, would not be significant.

D. Employee Retirement Systems and Pension Plans

The South Carolina Public Employee Benefit Authority ("PEBA"), which was created July 1, 2012, administers the various retirement systems and retirement programs managed by its Retirement Division. PEBA has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as co-trustee and co-fiduciary of the systems and the trust funds. By law, the State Fiscal Accountability Authority ("SFAA"), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the funding of the South Carolina Retirement Systems ("Systems") and serves as a co-trustee of the Systems in conducting that review.

PEBA issues a Comprehensive Annual Financial Report ("CAFR") containing financial statements and required supplementary information for the Systems' Pension Trust Funds. The CAFR is publicly available through the Retirement Benefits' link on PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, SC 29223. PEBA is considered a division of the primary government of the state of South Carolina and therefore, retirement trust fund financial information is also included in the comprehensive annual financial report of the state.

Plan Description – The South Carolina Retirement System ("SCRS"), a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for employees of the state, its public school districts, and political subdivisions.

The State Optional Retirement Program ("State ORP") is a defined contribution plan that is offered as an alternative to certain newly hired state, public school, and higher education employees. State ORP participants direct the investment of their funds into a plan administered by one of four investment providers.

CALHOUN FALLS CHARTER SCHOOL
Notes to the Basic Financial Statements
June 30, 2017

IV. OTHER INFORMATION, Continued

D. Employee Retirement Systems and Pension Plans, Continued

Plan Membership – Membership requirements are prescribed in Title 9 of the South Carolina Code of Laws. A brief summary of the requirements under each system is presented below:

SCRS – Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. This plan covers general employees and teachers and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

State ORP – As an alternative to membership in SCRS, newly hired state, public school, and higher education employees and individuals newly elected to the S.C. General Assembly beginning with the November 2012 general election have the option to participate in the State ORP, which is a defined contribution plan. State ORP participants direct the investment of their funds into a plan administered by one of four investment providers. PEBA assumes no liability for State ORP benefits. Rather, the benefits are the liability of the investment providers. For this reason, State ORP programs are not part of the retirement systems' trust funds for financial statement purposes. Employee and Employer contributions to the State ORP are at the same rates as SCRS. A direct remittance is required from the employers to the member's account with investment providers for the employee contribution and a portion of the employer contribution (5 percent). A direct remittance is also required to SCRS for the remaining portion of the employer contribution and an incidental death benefit contribution, if applicable, which is retained by SCRS.

Plan Benefits – Benefit terms are prescribed in Title 9 of the South Carolina Code of Laws. PEBA does not have authority to establish or amend benefit terms without a legislative change in the code of laws. Key elements of the benefit calculation include the benefit multiplier, years of service, and average final compensation. A brief summary of benefit terms for each system is presented below:

SCRS – A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 65 or with 28 years credited service regardless of age. A member may elect early retirement with reduced pension benefits payable at age 55 with 25 years of service credit. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension upon satisfying the Rule of 90 requirement that the total of the member's age and the member's creditable service equals at least 90 years. Both Class Two and Class Three members are eligible to receive a reduced deferred annuity at age 60 if they satisfy the five- or eight-year earned service requirement, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program.

The annual retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase. Members who retire under the early retirement provisions at age 55 with 25 years of service are not eligible for the benefit adjustment until the second July 1 after reaching age 60 or the second July 1 after the date they would have had 28 years of service credit had they not retired.

CALHOUN FALLS CHARTER SCHOOL
Notes to the Basic Financial Statements
June 30, 2017

IV. OTHER INFORMATION, Continued

D. Employee Retirement Systems and Pension Plans, Continued

Funding Policy – Contributions are prescribed in Title 9 of the South Carolina code of Laws. Upon recommendation by the actuary in the annual actuarial valuation, the PEBA Board may adopt and present to the SFAA for approval an increase in the SCRS employer and employee contribution rates, but any such increase may not result in a differential between the employee and total employer contribution rate that exceeds 2.9 percent of earnable compensation for SCRS. An increase in the contribution rates adopted by the PEBA Board may not provide for an increase of more than one-half of one percent in any one year. If the scheduled employee and employer contributions provided in statute or the rates last adopted by the PEBA Board are insufficient to maintain a thirty-year amortization schedule of the unfunded liabilities of the plans, the PEBA Board shall increase the contribution rates in equal percentage amounts for the employer and employee as necessary to maintain the thirty-year amortization period; and, this increase is not limited to one-half of one percent per year.

As noted above, both employees and the School are required to contribute to the plans at rates established and as amended by the PEBA.

Contribution Summary – The contribution requirements for the current and two preceding years are as follows:

	SCRS			ORP		
	2017	2016	2015	2017	2016	2015
Eligible Wages	\$ 910,774	\$ 870,089	\$ 944,563	\$ 36,945	\$ 57,315	\$ 39,008
<u>Employer Rate</u>						
Retirement - SCRS	11.41%	10.91%	10.75%	6.41%	5.91%	5.75%
Retirement - AIP	0.00%	0.00%	0.00%	5.00%	5.00%	5.00%
Retirement Surcharge - SCRS	5.33%	5.33%	5.00%	5.33%	5.33%	5.00%
GL Ins. Benefit - SCRS	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%
Total Employer Rate	16.89%	16.39%	15.90%	16.89%	16.39%	15.90%
Employee Rate	8.66%	8.16%	8.00%	8.66%	8.16%	8.00%
<u>Employer Contributions</u>						
Retirement - SCRS	\$ 103,919	\$ 94,927	\$ 101,541	\$ 2,368	\$ 3,387	\$ 2,243
Retirement - AIP	-	-	-	1,847	2,866	1,950
Retirement Surcharge - SCRS	48,544	46,376	47,228	1,969	3,055	1,950
GL Ins. Benefit - SCRS	1,366	1,305	1,417	55	86	59
Total Employer Contributions	\$ 153,830	\$ 142,608	\$ 150,186	\$ 6,240	\$ 9,394	\$ 6,202

The payroll for School employees covered by the plans for the year ended June 30, 2017 was \$947,719; the School's total payroll was \$983,716.

CALHOUN FALLS CHARTER SCHOOL
Notes to the Basic Financial Statements
June 30, 2017

IV. OTHER INFORMATION, Continued

D. Employee Retirement Systems and Pension Plans, Continued

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – The net pension liability (“NPL”) is calculated separately for each system and represents that particular system’s total pension liability determined in accordance with GASB No. 67 less that system’s fiduciary net position. NPL totals, as of June 30, 2016, for SCRS are presented below:

<u>System</u>	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Employers' Net Pension Liability (Asset)</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
SCRS	\$ 45,356,214,752	\$ 23,996,362,354	\$ 21,359,852,398	52.9%

The total pension liability is calculated by SCRS’s actuary, and the plan’s fiduciary net position is reported in the system’s financial statements. The net pension liability is disclosed in accordance with the requirement of GASB No. 67 in the system’s notes to the financial statements and required supplementary information. Liability calculations performed by SCRS’s actuary for the purpose of satisfying the requirements of GASB Nos. 67 and 68 are not applicable for other purposes, such as determining the plan’s funding requirements.

At June 30, 2017, the School reported a liability of \$3,001,700 for its proportionate share of the PEBA’s net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015, using membership data as of that date, projected forward to the end of that fiscal year, and financial information of the pension trust funds as of June 30, 2016. The School’s proportion of the net pension liability was based on the School’s contributions received by PEBA during the measurement period for employer payroll paid dates from July 1, 2015, through June 30, 2016, relative to the total employer contributions received from all of PEBA’s participating employers. At June 30, 2016, the School’s proportion was .014053%.

For the year ended June 30, 2017, the School recognized pension expense of \$333,118 for its proportionate share of the PEBA’s pension expense. At June 30, 2017, the School reported its proportionate share of the PEBA’s deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between expected and actual experience	\$ 31,116	\$ 3,260
Net difference between projected and actual earnings on pension plan investments	252,540	-
Changes in proportionate share and differences between employer contributions and proportionate share of total plan employer contributions	1,217,259	592,886
School contributions subsequent to the measurement date	107,708	-
	<u>\$ 1,608,623</u>	<u>\$ 596,146</u>

CALHOUN FALLS CHARTER SCHOOL
Notes to the Basic Financial Statements
June 30, 2017

IV. OTHER INFORMATION, Continued

D. Employee Retirement Systems and Pension Plans, Continued

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

\$107,708 reported as deferred outflows of resources related to pensions resulting from School contributions to the PEBA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to the PEBA will be recognized in pension expense as follows:

<u>Year Ended</u> <u>June 30</u>	<u>Deferred Outflows (Inflows)</u> <u>of Resources</u>
2018	\$ 224,745
2019	172,268
2020	324,993
2021	<u>182,763</u>
	<u>\$ 904,769</u>

Actuarial Assumptions – Actuarial valuations involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Actuarial assumptions and methods used during the annual valuation process are subject to periodic revision typically with an experience study, as actual results over an extended period of time are compared with past expectations and new estimates are made about the future.

South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. An experience report on SCRS was most recently issued as of July 1, 2015. The June 30, 2016, total pension liability, net pension liability, and sensitivity information were determined by the SCRS’s consulting actuary, Gabriel, Roeder, Smith and Company (“GRS”) and are based on the July 1, 2015, actuarial valuations, as adopted by the PEBA Board and SFAA which utilized membership data as of July 1, 2015. The total pension liability was rolled-forward from the valuation date to the SCRS’s fiscal year ended June 30, 2016, using generally accepted actuarial principles. Information included in the following schedules is based on the certification provided by GRS.

The following provides a summary of the actuarial assumptions and methods used in the July 1, 2015, valuations for SCRS:

	<u>SCRS</u>
Actuarial Cost Method	Entry age normal
Actuarial assumptions:	
Investment rate of return*	7.5%
Projected salary increases*	3.5% to 12.5% (varies by service)
Benefit adjustments	lesser of 1% or \$500 annually

*Includes inflation at 2.75%

CALHOUN FALLS CHARTER SCHOOL
Notes to the Basic Financial Statements
June 30, 2017

IV. OTHER INFORMATION, Continued

D. Employee Retirement Systems and Pension Plans, Continued

Actuarial Assumptions, continued

The post-retiree mortality assumption is dependent upon the member's job category and gender. This assumption includes base rates which are automatically adjusted for future improvement in mortality using published Scale AA projected from the year 2000. Assumptions used in the July 1, 2015, valuations for SCRS are as follows:

Former Job Class	Males	Females
Educators	RP-2000 Males (with White Collar adjustment) multiplied by 110%	RP-2000 Females (with White Collar adjustment) multiplied by 95%
General Employees and Members of the General Assembly	RP-2000 Males multiplied by 100%	RP-2000 Females multiplied by 90%

Long-Term Expected Rate of Return - The long-term expected rate of return on pension plan investments, as used in the July 1, 2015, actuarial valuations, was based upon the 30-year capital markets outlook at the end of the third quarter 2015. The long-term expected rate of returns represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market based inputs. Expected returns are net of investments fees.

The expected returns, along with the expected inflation rate, form the basis for the revised target asset allocation adopted beginning January 1, 2016. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the table below. For actuarial purposes, the 7.50 percent assumed annual investment rate of return used in the calculation of the total pension liability includes a 4.75 percent real rate of return and a 2.75 percent inflation component.

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Expected Arithmetic Real Rate of Return</u>	<u>Long Term Expected Portfolio Real Rate of Return</u>
Global Equity	43.0%		
Global Public Equity	34.0%	6.52%	2.22%
Private Equity	9.0%	9.30%	0.84%
Real Assets	8.0%		
Real Estate	5.0%	4.32%	0.22%
Commodities	3.0%	4.53%	0.13%
Opportunistic	20.0%		
GTAA/Risk Parity	10.0%	3.90%	0.39%
Hedge Funds (Low Beta)	10.0%	3.87%	0.39%
Diversified Credit	17.0%		
Mixed Credit	5.0%	3.52%	0.17%
Emerging Markets Debt	5.0%	4.91%	0.25%
Private Debt	7.0%	4.47%	0.31%
Conservative Fixed Income	12.0%		
Core Fixed Income	10.0%	1.72%	0.17%
Cash and Short Duration (Net)	2.0%	0.71%	0.01%
Total Expected Real Return	100.0%		5.10%
Inflation for Actuarial Purposes			2.75%
Total Expected Nominal Return			<u>7.85%</u>

CALHOUN FALLS CHARTER SCHOOL
Notes to the Basic Financial Statements
June 30, 2017

IV. OTHER INFORMATION, Continued

D. Employee Retirement Systems and Pension Plans, Continued

Discount Rate - The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that the funding policy specified in the South Carolina State Code of Laws will remain unchanged in future years. Based on those assumptions, the system's 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.

Pension Liability Sensitivity - The following presents the School's proportionate share of the net pension liability, calculated using the discount rate disclosed in the preceding paragraph, as well as what the School's proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

<u>Asset Class</u>	<u>1% Decrease (6.5%)</u>	<u>Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
School's proportionate share of the net pension liability	\$ 3,744,539	\$ 3,001,700	\$ 2,383,315

Pension Plan Fiduciary Net Position - Detailed information regarding the fiduciary net position of the plan administered by PEBA is available in the system's audited financial statements for the fiscal year ended June 30, 2016 (including the unmodified audit opinion on the financial statements). Additional actuarial information is available in the accounting and financial reporting actuarial valuation as of June 30, 2016.

E. Post-Retirement Benefits

The School is a member of the South Carolina Retirement System. The system covers public school employees, public higher-education personnel, state employees, city, county and other local public employees. It provides a complete schedule of benefits for regular retirement.

F. Subsequent Events

In preparing these financial statements, Calhoun Falls Charter School has evaluated events and transactions for potential recognition or disclosure through September 1, 2017, the date the financial statements were available to be issued. There were no such events requiring recording or disclosure for the year ended June 30, 2017.

CALHOUN FALLS CHARTER SCHOOL
CALHOUN FALLS, SOUTH CAROLINA
Schedule of the Proportionate Share of the Net Pension Liability
June 30, 2017

	<u>2017</u>	<u>2016</u>	<u>2015</u>
School's proportion of the net pension liability	0.014053%	0.005377%	0.011652%
School's proportionate share of the net pension liability	\$ 3,001,700	\$ 1,019,774	\$ 2,006,088
School's covered-employee payroll	\$ 927,404	\$ 983,571	\$ 974,921
School's proportionate share of the net pension liability as a percentage of the covered-employee payroll	323.67%	103.68%	205.77%
Plan fiduciary net position as a percentage of the total pension liability	52.90%	57.00%	59.90%

CALHOUN FALLS CHARTER SCHOOL
CALHOUN FALLS, SOUTH CAROLINA
Schedule of School Contributions
June 30, 2017

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 107,708	\$ 99,705	\$ 154,437
Contributions in relation to the contractually required contributions	<u>107,708</u>	<u>99,705</u>	<u>154,437</u>
Contribution deficiency (excess)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
School's covered-employee payroll	\$ 947,719	\$ 927,404	\$ 983,571
Contributions as percentage of covered-employee payroll	11.36%	10.75%	15.70%

**CALHOUN FALLS CHARTER SCHOOL
CALHOUN FALLS, SOUTH CAROLINA
General Fund**

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For Fiscal Year Ended June 30, 2017**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
1000 Revenue from local sources			
1700 Pupil activities			
1730 Pupil organization membership dues and fees	\$ 38,000	\$ 87,087	\$ 49,087
1740 Student fees	11,000	6,320	(4,680)
1790 Other pupil activities	18,000	26,565	8,565
1900 Other revenue from local sources			
1920 Contributions & donations private sources	141,500	142,632	1,132
1990 Miscellaneous local revenue			
1999 Revenue from other local sources	-	15,879	15,879
Total local sources	<u>208,500</u>	<u>278,483</u>	<u>69,983</u>
3000 Revenue from state sources			
3100 Restricted state funding			
3130 Special programs			
3180 Fringe benefits employer contributions	204,000	169,598	(34,402)
3300 Education Finance Act (EFA)			
3310 Full-time programs			
3313 Elementary	107,390	124,104	16,714
3314 High school	123,018	74,119	(48,899)
3316 Speech handicapped (part-time program)	10,138	8,930	(1,208)
3317 Homebound	1,683	-	(1,683)
3320 Part-time programs			
3322 Educable mentally handicapped	7,339	9,200	1,861
3323 Learning disabilities	25,100	32,262	7,162
3327 Vocational	99,765	178,192	78,427
3330 Miscellaneous EFA programs			
3331 Autism	7,209	8,093	884
3332 High achieving students	6,011	8,108	2,097
3334 Limited English proficiency	11,072	939	(10,133)
3351 Academic assistance	844	5,777	4,933
3352 Pupils in poverty	78,033	96,350	18,317
3353 Dual enrollment	-	6,680	6,680
Total state sources	<u>681,602</u>	<u>722,352</u>	<u>40,750</u>
Total revenue all sources	<u>890,102</u>	<u>1,000,835</u>	<u>110,733</u>

CALHOUN FALLS CHARTER SCHOOL
CALHOUN FALLS, SOUTH CAROLINA
General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For Fiscal Year Ended June 30, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
EXPENDITURES			
100 Instruction			
110 General instruction			
114 High School programs			
100 Salaries	\$ 567,164	\$ 543,008	\$ 24,156
200 Employee benefits	190,532	200,894	(10,362)
300 Purchased services	4,500	9,817	(5,317)
400 Supplies and materials	29,454	23,744	5,710
500 Capital outlay	5,000	-	5,000
120 Exceptional programs			
127 Learning disabilities			
100 Salaries	28,000	-	28,000
200 Employee benefits	14,700	-	14,700
300 Purchased services	23,000	13,133	9,867
	<u>862,350</u>	<u>790,596</u>	<u>71,754</u>
200 Support services			
210 Pupil services			
213 Health services			
300 Purchased services	-	60	(60)
220 Instructional staff services			
221 Improvement of instruction curriculum development			
100 Salaries	36,042	-	36,042
200 Employee benefits	-	8,021	(8,021)
300 Purchased services	14,700	-	14,700
224 Improvement of instruction inservice and staff training			
300 Purchased services	-	2,753	(2,753)
230 General administrative services			
231 Board of education			
318 Audit services	10,000	11,425	(1,425)

**CALHOUN FALLS CHARTER SCHOOL
CALHOUN FALLS, SOUTH CAROLINA
General Fund**

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For Fiscal Year Ended June 30, 2017**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
233 School administration			
100 Salaries	\$ 149,830	\$ 149,663	\$ 167
200 Employee benefits	53,485	68,764	(15,279)
300 Purchased services	53,100	51,664	1,436
400 Supplies and materials	11,000	12,167	(1,167)
500 Capital outlay	14,000	8,705	5,295
600 Other objects	2,000	1,809	191
250 Finance and operations services			
252 Fiscal services			
300 Purchased services	18,000	18,000	-
600 Other objects	700	1,131	(431)
254 Operation and maintenance of plant			
100 Salaries	31,454	27,343	4,111
200 Employee benefits	11,009	10,677	332
300 Purchased services	232,600	221,221	11,379
321 Public utility services	9,500	21,933	(12,433)
400 Supplies and materials	8,600	7,584	1,016
470 Energy	55,000	47,953	7,047
500 Capital outlay	10,000	4,310	5,690
255 Student transportation			
300 Purchased services	2,500	3,191	(691)
500 Capital outlay	-	6,370	(6,370)
260 Central support services			
263 Information services			
300 Purchased services	2,000	5,045	(3,045)
266 Technology and data processing services			
300 Purchased services	45,251	43,037	2,214

CALHOUN FALLS CHARTER SCHOOL
CALHOUN FALLS, SOUTH CAROLINA
General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For Fiscal Year Ended June 30, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
270 Supporting services - pupil activity			
271 Pupil services activities			
300 Purchased services	\$ 46,000	\$ 45,525	\$ 475
600 Other objects	-	1,020	(1,020)
660 Pupil activity	<u>39,000</u>	<u>77,872</u>	<u>(38,872)</u>
Total support services	<u>855,771</u>	<u>857,243</u>	<u>(1,472)</u>
Total expenditures	<u>1,718,121</u>	<u>1,647,839</u>	<u>70,282</u>
OTHER FINANCING SOURCES (USES)			
Interfund transfers, From (To) other funds:			
5230 Transfer from EIA Fund	840,341	890,208	49,867
421-710 Transfer to Special Revenue Fund	<u>-</u>	<u>(14,677)</u>	<u>(14,677)</u>
Total other financing sources (uses)	<u>840,341</u>	<u>875,531</u>	<u>35,190</u>
EXCESS/DEFICIENCY OF REVENUES OVER EXPENDITURES	\$ <u>12,322</u>	228,527	\$ <u>216,205</u>
FUND BALANCE, July 1, 2016		<u>269,688</u>	
FUND BALANCE, June 30, 2017		<u>\$ 498,215</u>	

**CALHOUN FALLS CHARTER SCHOOL
CALHOUN FALLS, SOUTH CAROLINA
Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
For Fiscal Year Ended June 30, 2017**

	Title I (BA Projects) (201/202)	IDEA (CA Projects) (203/204)	Preschool Handicapped (CG Projects) (205/206)	CATE (VA Projects) (207/208)	Adult Education (EA Projects)* (243)	Other Designated Restricted State Grants* (900s)	Other Special Revenue Programs* (200s/800s)	Total
REVENUES								
1000 Revenue from local sources								
1900 Other revenue from local sources								
1990 Miscellaneous local revenue								
1999 Revenue from other local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,864	\$ 16,864
Total local sources	-	-	-	-	-	-	16,864	16,864
3000 Revenue from state sources								
3600 Education Lottery Act revenue								
3630 K-12 technology initiative	-	-	-	-	-	4,567	-	4,567
Total state sources	-	-	-	-	-	4,567	-	4,567

* See Schedule 5 for a listing of LEA subfund codes for each program.

**CALHOUN FALLS CHARTER SCHOOL
CALHOUN FALLS, SOUTH CAROLINA
Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
For Fiscal Year Ended June 30, 2017**

	Title I (BA Projects) (201/202)	IDEA (CA Projects) (203/204)	Preschool Handicapped (CG Projects) (205/206)	CATE (VA Projects) (207/208)	Adult Education (EA Projects) (243)	Other Designated Restricted State Grants (900s)	Other Special Revenue Programs (200s/800s)	Total
4000 Revenue from federal sources								
4200 Occupational education								
4210 Perkins aid, Title I	\$ -	\$ -	\$ -	\$ 33,137	\$ -	\$ -	\$ -	\$ 33,137
4300 Elementary and Secondary Education Act of 1965 (ESEA)								
4310 Title I, basic state grant programs	200,337	-	-	-	-	-	-	200,337
4500 Programs for children with disabilities								
4510 IDEA	-	16,259	-	-	-	-	-	16,259
4900 Other federal sources								
4990 Other federal revenue								
4999 Revenue from other federal sources	-	-	-	-	-	-	86,947	86,947
Total federal sources	<u>200,337</u>	<u>16,259</u>	<u>-</u>	<u>33,137</u>	<u>-</u>	<u>-</u>	<u>86,947</u>	<u>336,680</u>
Total revenue all sources	<u>200,337</u>	<u>16,259</u>	<u>-</u>	<u>33,137</u>	<u>-</u>	<u>4,567</u>	<u>103,811</u>	<u>358,111</u>

CALHOUN FALLS CHARTER SCHOOL
CALHOUN FALLS, SOUTH CAROLINA
Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
For Fiscal Year Ended June 30, 2017

	Title I	IDEA	Preschool	CATE	Adult	Other	Other	Total
	(BA Projects)	(CA Projects)	Handicapped	(VA Projects)	Education	Designated	Special	
	(201/202)	(203/204)	(CG Projects)	(207/208)	(EA Projects)	Restricted	Revenue	
			(205/206)		(243)	State Grants	Programs	
						(900s)	(200s/800s)	
EXPENDITURES								
100 Instruction								
110 General instruction								
114 High school programs								
100 Salaries	\$ 55,600	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 55,600
200 Employee benefits	18,905	-	-	-	-	-	-	18,905
400 Supplies and materials	24,043	-	-	-	-	-	-	24,043
115 Career & technology education programs								
300 Purchased services	-	-	-	1,140	-	-	-	1,140
400 Supplies and materials	-	-	-	10,980	-	-	-	10,980
127 Learning disabilities								
100 Salaries	-	15,078	-	-	-	-	-	15,078
200 Employee benefits	-	-	-	-	-	-	-	-
400 Supplies and materials	-	1,181	-	-	-	-	-	1,181
Total instruction	98,548	16,259	-	12,120	-	-	-	126,927
200 Support services								
210 Pupil services								
212 Guidance services								
100 Salaries	18,610	-	-	-	-	-	-	18,610
200 Employee benefits	5,427	-	-	-	-	-	-	5,427
216 Career & technical education placement services								
300 Purchased services	-	-	-	14,586	-	-	-	14,586

**CALHOUN FALLS CHARTER SCHOOL
CALHOUN FALLS, SOUTH CAROLINA
Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
For Fiscal Year Ended June 30, 2017**

	Title I (BA Projects) (201/202)	IDEA (CA Projects) (203/204)	Preschool Handicapped (CG Projects) (205/206)	CATE (VA Projects) (207/208)	Adult Education (EA Projects) (243)	Other Designated Restricted State Grants (900s)	Other Special Revenue Programs (200s/800s)	Total
220 Instructional staff services								
221 Improvement of instruction - curriculum development								
100 Salaries	\$ 45,000	\$ -	\$ -	\$ 5,000	\$ -	\$ -	\$ -	\$ 50,000
200 Employee benefits	11,000	-	-	-	-	-	-	11,000
223 Supervision of special programs								
100 Salaries	10,000	-	-	-	-	-	-	10,000
200 Employee benefits	2,455	-	-	-	-	-	-	2,455
224 Improvement of instruction - in-service and staff training								
300 Purchased services	9,297	-	-	1,431	-	-	-	10,728
230 General administrative services								
233 School administration								
200 Employee benefits	-	-	-	-	-	-	2,018	2,018
250 Finance and operations services								
254 Operation and maintenance of plant								
300 Purchased services	-	-	-	-	-	4,567	-	4,567
256 Food service								
100 Salaries	-	-	-	-	-	-	47,450	47,450
200 Employee benefits	-	-	-	-	-	-	23,078	23,078
400 Supplies and materials	-	-	-	-	-	-	44,930	44,930
500 Capital outlay	-	-	-	-	-	-	1,012	1,012

**CALHOUN FALLS CHARTER SCHOOL
CALHOUN FALLS, SOUTH CAROLINA
Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
For Fiscal Year Ended June 30, 2017**

	Title I (BA Projects) (201/202)	IDEA (CA Projects) (203/204)	Preschool Handicapped (CG Projects) (205/206)	CATE (VA Projects) (207/208)	Adult Education (EA Projects) (243)	Other Designated Restricted State Grants (900s)	Other Special Revenue Programs (200s/800s)	Total
260 Central support services								
266 Technology and data processing services								
100 Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
300 Purchased services	-	-	-	-	-	-	-	-
Total support services	101,789	-	-	21,017	-	4,567	118,488	245,861
410 Intergovernmental expenditures								
412 Payments to other governmental units								
720 Transits	-	-	-	-	-	-	-	-
Total intergovernmental expenditures	-	-	-	-	-	-	-	-
Total expenditures	200,337	16,259	-	33,137	-	4,567	118,488	372,788
OTHER FINANCING SOURCES (USES)								
Interfund transfers, From (To) other funds:								
5210 Transfer from General Fund (Excludes indirect costs)	-	-	-	-	-	-	14,677	14,677
Total other financing sources (uses)	-	-	-	-	-	-	14,677	14,677
EXCESS/DEFICIENCY OF REVENUES OVER EXPENDITURES	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
FUND BALANCE, July 1, 2016	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
FUND BALANCE, June 30, 2017	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-

CALHOUN FALLS CHARTER SCHOOL
CALHOUN FALLS, SOUTH CAROLINA
Special Revenue Fund - Schedule of Program Classifications
For Fiscal Year Ended June 30, 2017

<u>LEA</u> <u>Subfund</u> <u>Code</u>	<u>Program</u>	<u>Revenue</u>	<u>Revenue</u> <u>Code</u>
<u>OTHER RESTRICTED STATE GRANTS</u>			
963	K-12 technology initiative	\$ <u>4,567</u>	3607
		\$ <u><u>4,567</u></u>	
<u>OTHER SPECIAL REVENUE PROGRAMS</u>			
256	Lunch sales to students	\$ 16,864	1999
256	USDA reimbursements	<u>86,947</u>	4999
		\$ <u><u>103,811</u></u>	

**CALHOUN FALLS CHARTER SCHOOL
 CALHOUN FALLS, SOUTH CAROLINA
 Summary Schedule for Designated State Restricted Grants
 For Fiscal Year Ended June 30, 2017**

<u>Subfund</u>	<u>Revenue Code</u>	<u>Programs</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Special Revenue</u>		<u>Special Revenue Fund Unearned</u>
					<u>Interfund Transfers In/(Out)</u>	<u>Other Fund Transfers In/(Out)</u>	
963	3607	K-12 technology initiative	\$ <u>4,567</u>	\$ <u>4,567</u>	\$ -	\$ -	\$ -
			\$ <u>4,567</u>	\$ <u>4,567</u>	\$ -	\$ -	\$ -

**CALHOUN FALLS CHARTER SCHOOL
CALHOUN FALLS, SOUTH CAROLINA
Education Improvement Act
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance - All Programs
For Fiscal Year Ended June 30, 2017**

	<u>Actual</u>
REVENUES	
3000 Revenue from state sources	
3500 Education Improvement Act	
3511 Professional development	\$ 829
3512 Technology professional development	753
3518 Formative assessment	708
3519 Grade ten assessment	240
3525 Career and technology education equipment	98,058
3526 Refurbishment of K-8 science kits	374
3538 Students at risk of school failure	79,563
3550 Teacher salary increase (No Carryover Provision)	37,912
3555 Teacher salary fringe (No Carryover)	5,524
3558 Reading	702
3577 Teacher supplies	5,775
3583 Charter school funding	846,773
3587 IDEA MOE settlement	4,214
3592 Work-based learning	37,830
3595 EEDA - supplies and materials	871
3597 Aid to districts	<u>2,829</u>
 Total state sources	 <u>1,122,955</u>
 Total revenue all sources	 <u>1,122,955</u>
EXPENDITURES	
100 Instruction	
110 General instruction	
114 High school programs	
100 Salaries	35,923
200 Employee benefits	20,071
300 Purchased services	3,240
400 Supplies and materials	36,044
115 Career and technology education programs	
300 Purchased services	317
400 Supplies and materials	48,660
500 Capital outlay	<u>49,397</u>
 Total instruction	 <u>193,652</u>

**CALHOUN FALLS CHARTER SCHOOL
CALHOUN FALLS, SOUTH CAROLINA
Education Improvement Act
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance - All Programs
For Fiscal Year Ended June 30, 2017**

	<u>Actual</u>
200 Support services	
210 Pupil services	
216 Career and technical education placement services	
300 Purchased services	\$ 6,350
220 Instructional staff services	
221 Improvement of instruction-curriculum development	
100 Salaries	31,042
300 Purchased services	121
230 General administrative services	
233 School administration	
300 Purchased services	829
260 Central support services	
266 Technology and data processing services	
300 Purchased services	<u>753</u>
Total support services	<u>39,095</u>
Total expenditures	<u>232,747</u>
OTHER FINANCING SOURCES (USES)	
Interfund transfers, from (to) other funds	
420-710 Transfer to General Fund (excluding indirect costs)	\$ <u>(890,208)</u>
Total other financing sources (uses)	<u>(890,208)</u>
EXCESS/DEFICIENCY OF REVENUES OVER EXPENDITURES	-0-
FUND BALANCE, July 1, 2016	<u>-0-</u>
FUND BALANCE, June 30, 2017	<u><u>\$ -0-</u></u>

**CALHOUN FALLS CHARTER SCHOOL
CALHOUN FALLS, SOUTH CAROLINA
Education Improvement Act
Summary Schedule by Program
For Fiscal Year Ended June 30, 2017**

PROGRAM	<u>Revenues</u>	<u>Expenditures</u>	<u>EIA Interfund Transfers In/(Out)</u>	<u>Other Fund Transfers In/(Out)</u>	<u>EIA Fund Unearned</u>
3500 Education Improvement Act					
3511 Professional development	\$ 829	\$ 829	\$ -	\$ -	\$ -
3512 Technology professional development	754	754	-	-	-
3518 Formative assessment	708	708	-	-	-
3519 Grade ten assessment	240	240	-	-	-
3525 Career and technology education equipment	98,058	98,058	-	-	64,722
3526 Refurbishment of K-8 science kits	374	374	-	-	-
3538 Students at risk of school failure	79,563	79,563	-	-	-
3550 Teacher salary increase (No Carryover Provision)	37,912	-	-	(37,912)	-
3555 Teacher salary fringe (No Carryover)	5,524	-	-	(5,524)	-
3558 Reading	702	702	-	-	-
3577 Teacher supplies	5,775	5,775	-	-	-
3583 Charter school funding	846,772	-	-	(846,772)	-
3587 IDEA MOE settlement	4,214	4,214	-	-	-
3592 Work-based learning	37,830	37,830	-	-	37,288
3595 EEDA - supplies and materials	871	871	-	-	-
3597 Aid to districts	2,829	2,829	-	-	-
TOTALS	<u>\$ 1,122,955</u>	<u>\$ 232,747</u>	<u>\$ -0-</u>	<u>\$ (890,208)</u>	<u>\$ 102,010</u>

**CALHOUN FALLS CHARTER SCHOOL
 CALHOUN FALLS, SOUTH CAROLINA
 Schedule of Due to State Department of Education/Federal Government
 June 30, 2017**

<u>Program</u>	<u>Project Number</u>	<u>Revenue & Subfund Codes</u>	<u>Description</u>	<u>Amount Due to State Department of Education/ Federal Government</u>
None				\$ <u>-0-</u>
				\$ <u><u>-0-</u></u>

**CALHOUN FALLS CHARTER SCHOOL
CALHOUN FALLS, SOUTH CAROLINA
Schedule of Findings and Questioned Costs
For Fiscal Year Ended June 30, 2017**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified.

Internal control over financial reporting:

- Material weakness (es) identified? _____ Yes X No
- Significant deficiency (ies) identified? _____ Yes X No

Noncompliance material to financial statements noted? _____ Yes X No

Section II - Financial Statement Findings

None.

**CALHOUN FALLS CHARTER SCHOOL
CALHOUN FALLS, SOUTH CAROLINA
Schedule of Prior Year Findings
For Fiscal Year Ended June 30, 2017**

Section I - Financial Statement Findings

2016-1 – Preparation of Financial Statements

Condition and Criteria: Internal controls over financial reporting should be in place to provide reasonable assurance that financial statements, including all required note disclosures, are prepared in accordance with generally accepted accounting principles.

Cause: Currently, management responsible for the accounting and reporting function are not sufficiently trained to fully prepare the School's financial statements, including all required note disclosures, in accordance with generally accepted accounting principles.

Effect: Management is not trained currently in preparing complete financial statements, including all required note disclosures, in accordance with generally accepted accounting principles, therefore a material misstatement to the School's financial statements, including all required note disclosures, could occur and not be prevented or detected by the School's internal controls over financial reporting.

Status: Individual responsible for the accounting and reporting function has adequate knowledge and experience in charter school accounting, the application of generally accepted accounting principles to such accounting, and the preparation of financial statements, including all required note disclosures. The finding is not repeated in the current year.

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

Board of Directors
Calhoun Falls Charter School
Calhoun Falls, South Carolina

We have audited the financial statements of Calhoun Falls Charter School ("the School") as of and for the year ended June 30, 2017, and have issued our report thereon dated September 1, 2017. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance and Other Matters

As part of obtaining assurance about whether Calhoun Falls Charter School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Calhoun Falls Charter School's internal control over financial reporting in order to determine our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of internal control over financial reporting.

A deficiency in control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal controls, such that there is a reasonable possibility that a material misstatement of the 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 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.

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.

Martin Smith and Company CPAs PA

September 1, 2017