Mountain Education Center, Inc.
Audited Financial Statements
June 30, 2018

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Mountain Education Center, Inc.
Cleveland, Georgia

Report on the Financial Statements
We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mountain Education Center, Inc. d/b/a Mountain Education Charter High School ("the School"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, as listed in the table of contents.

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

Auditor's Responsibility
Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States of America. 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 disclosure in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate

remaining fund information of the School as of June 30, 2018 and the respective changes in financial position in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis, the schedules of proportionate share of net pension liability and schedules of contributions to retirement systems, and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulation (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the financial statements. 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 26, 2018 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering School's internal control over financial reporting and compliance.

Bambo Sonaike CPA, LLC

October 26, 2018

Introduction

As management of Mountain Education Center, Inc. (the "School"), we offer readers of the School's financial statement this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2018 to (a) assist the reader in focusing on significant financial issues, (b) provide an overview and analysis of the School's financial activities, (c) identify changes in the School's financial position, (d) identify material deviations from the approved budget, and (e) highlight significant issues in individual funds.

Because the information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transaction, events, and conditions, it should be considered in conjunction with the Basic Financial Statements.

Financial highlights

- At the end of the current fiscal year, the unassigned fund balance for the general fund was $13,461,761.
- The School's assets exceeded liabilities at the close of the most recent fiscal year by $13,075,248 (net position).

Overview of the financial statements

This discussion and analysis is intended to serve as an introduction to the School's basic financial statements. The School's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

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

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

The statement of activities presents information showing how the School's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected funding and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the School that are principally supported by district, state, and federal funding (governmental activities). Basic instructions, school administration, and food services are examples of the School's governmental activities.

The government-wide financial statements include only the School itself. Comparison of the condensed statement of net position and the statement of activities are provided below.

	Governmental Activities		
	2018	2017	Variance
ASSETS			
Current and other assets	$ 14,815,573	$ 13,757,655	$ 1,057,918
Capital assets(net)	3,184,984	626,845	2,558,139
Total assets	18,000,557	14,384,500	3,616,057
DEFERRED OUTFLOW OF RESOURCES	1,417,896	1,218,429	199,467
Total assets and deferred outflow of resources	19,418,453	15,602,929	3,815,524
LIABILITIES			
Current and other liabilities	1,108,114	821,636	286,478
Long term liabilities	5,031,480	2,899,599	2,131,881
Total liabilities	6,139,594	3,721,235	2,418,359
DEFERRED INFLOW OF RESOURCES	203,611	16,645	186,966
Total liabilities and deferred inflow of resources	6,343,205	3,737,880	2,605,325
NET POSITION			
Investment in capital assets (net)	3,184,984	626,845	2,558,139
Unrestricted (deficit)	9,890,264	11,238,204	(1,347,940)
Total net position (deficit)	$ 13,075,248	$ 11,865,049	$ 1,210,199

	Governmental Activities		
	2018	2017	Variance
REVENUES			
State passed through State Charter School Commission	$ 21,560,052	$ 17,438,137	$ 4,121,915
Charges for services	51,044	52,584	(1,541)
Operating grants and contributions	979,124	896,347	82,777
Other revenues	792,455	165,541	626,914
Total revenues	23,382,675	18,552,609	4,830,065
EXPENSES			
Basic instruction	9,704,329	8,550,643	1,153,686
Pupil services	1,877,169	1,435,698	441,471
Improvement of instructional services	908,526	754,086	154,440
Federal grant administration	6,251	-	6,251
School administration	4,021,160	3,717,632	303,528
General administration	305,598	2,058	303,540
Support services - central	420,578	297,819	122,759
Support services - business	1,135,154	705,010	430,144
Operation of school	768,660	652,818	115,842
Food services	254,078	247,674	6,404
Transportation	84,685	23,500	61,185
Total expenses	19,486,188	16,386,939	3,099,249
Change in net position	$ 3,896,487	$ 2,165,671	$ 1,730,816

Fund financial statements
A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities of objectives. The School, like state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the operations of the School are presented in governmental funds only.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented 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 of the governmental fund financial statements provide reconciliation to facilitate this comparison between governmental funds and governmental activities.

The School maintains individual government funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the general fund, which is considered to be the School's only major fund. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash.

Notes to the financial statements
The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

As noted earlier, net position may serve over time as a useful indicator of the School's financial position. In the case of the School, assets exceeded liabilities by $13,075,248 for the year ended June 30, 2018.

A portion of the School's net position reflects its investment in capital assets (e.g., furniture, fixtures and equipment, and leasehold improvements), less any related debt used to acquire those assets that are still outstanding. The School uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the School's investment in its capital assets is reported net of debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Financial analysis of the Government's Funds
The focus of the School's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the School's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a School's net resources available for spending at the end of the fiscal year. The general fund is the main operating fund of the School. At the end of the current fiscal year, unassigned fund balance of the general fund was $13,461,761.

General Fund Budgetary Highlights
The School's actual revenues were higher than budget revenues by $4,930,205 mainly due the School's QBE funding and supplemental revenue being higher than budgeted. Actual expenditures were above budgeted expenditures by $643,601 due mainly to the School's overall operating expenses being higher than budgeted.

Capital Asset
The School investment in capital assets for its governmental type activities as of June 30, 2018 amounts to $3,184,984.

Long term debt
The School's long term debt including pension and OPEB liabilities for its governmental type activities as of June 30, 2018, amounts to $5,031,480. Additional information on the School's long term debt can be found in note below.

Contacting the School's financial management
This financial report is designed to provide our citizens, taxpayers, investors and creditors 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.

Mountain Education Center, Inc.
Statement of Net Position
As of June 30, 2018

	Governmental Activities
ASSETS	
Cash and cash equivalents (note 2)	$ 14,569,875
Prepaids and other assets	245,698
Capital assets(net) (note 3)	3,184,984
Total assets	18,000,557
DEFERRED OUTFLOW OF RESOURCES	
Related to defined benefit pension plans (note 8)	1,073,614
Related to defined benefit OPEB plans (note 9)	344,282
Total deferred outflow of resources	1,417,896
LIABILITIES	
Accounts payable & accrued expenses (note 4)	1,108,114
Net pension liability (note 8)	2,850,364
Net OPEB liability (note 9)	2,181,116
Total liabilities	6,139,594
DEFERRED INFLOW OF RESOURCES	
Related to defined benefit pension plans (note 8)	37,524
Related to defined benefit OPEB plans (note 9)	166,087
Total deferred inflow of resources	203,611
NET POSITION	
Investment in capital assets, net of related debt	3,184,984
Unrestricted (deficit)	9,890,264
Total net position (deficit)	$ 13,075,248

The accompanying notes are an integral part to these financial statements.

Mountain Education Center, Inc.
Statement of Activities
For the period ended June 30, 2018

Governmental Activities	Expenses	Program revenues: Charges for Services	Program revenues: Operating Grants and Contributions	Program revenues: Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Assets
Basic instruction	9,704,329	$ -	$ 9,801,748	$ -	$ 97,419
Pupil services	1,877,169	-	-	-	(1,877,169)
Health services	-	-	20,000	-	20,000
Improvement of instructional services	908,526	-	59,939	-	(848,587)
Federal grant administration	6,251	-	-	-	(6,251)
School administration	4,021,160	-	1,273,309	-	(2,747,851)
General administration	305,598	-	-	-	(305,598)
Support services - central	420,578	-	188,777	-	(231,801)
Support services - business	1,135,154	-	-	-	(1,135,154)
Operation of school	768,660	-	645,164	-	(123,496)
Food services	254,078	-	-	-	(254,078)
Transportation	84,685	-	-	-	(84,685)
Media services	-	-	228,113	-	228,113
Total governmental activities	$ 19,486,188	$ -	$ 12,217,050	$ -	$ (7,269,138)

General revenues:	
State passed through State Charter School Commission	9,343,002
Charges for services	51,044
Operating grants and contributions	979,124
Other revenues and donations	792,455
Total general revenues	11,165,625
Change in net position	3,896,487
Net position (deficit) - beginning of year	11,865,049
Prior period adjustments (note 7)	(2,686,287)
Net position (deficit) - end of the year	$ 13,075,248

The accompanying notes are an integral part to these financial statements.

Mountain Education Center, Inc.
Balance Sheet - Governmental Funds
As of June 30, 2018

	General Fund	Capital Asset Fund	Debt Service Fund	Total Governmental Fund
ASSETS				
Cash and cash equivalents (note 2)	$14,569,875	$ -	$ -	$ 14,569,875
Prepaids and other assets	245,698	-	-	245,698
Total assets	14,815,573	-	-	14,815,573
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable & accrued expenses (note 4)	1,108,114	-	-	1,108,114
Total liabilities	1,108,114	-	-	1,108,114
FUND BALANCES				
Non-spendable	245,698	-	-	245,698
Restricted	-	-	-	-
Committed	-	-	-	-
Unassigned	13,461,761	-	-	13,461,761
Total fund balances	13,707,459	-	-	13,707,459
Total liabilities and fund balances	$14,815,573	$ -	$ -	$ 14,815,573

The accompanying notes are an integral part to these financial statements.

Mountain Education Center, Inc.
Reconciliation of Balance Sheet – Governmental Funds with Statement of Net Position
As of June 30, 2018

Total Fund balances - Governmental funds	$ 13,707,459
The amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. Those assets consist of:	
Land and Building	3,114,293
Furniture, fixtures and equipment	304,084
Accumulated depreciation	(233,393)
Total capital assets	3,184,984
Some liabilities, including net pension obligations, are note due and payable in the current period and, therefore, are not reported in the funds.	
Net pension liability	(2,850,364)
Net OPEB liability	(2,181,116)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds	
Deferred outflows of resources	1,417,896
Deferred inflows of resources	(203,611)
Net flow of resources	1,214,285
Total Net position (deficit) - Governmental activities	$ 13,075,248

The accompanying notes are an integral part to these financial statements.

Mountain Education Center, Inc.
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
For the period ended June 30, 2018

	General Fund	Capital Asset Funds	Debt Service Funds	Total Governmental Funds
REVENUES				
State passed through State Charter School Commission	$ 21,560,052	$ -	$ -	$ 21,560,052
Operating grants and contributions	979,124	-	-	979,124
Charges for services	51,044	-	-	51,044
Other revenues	792,455	-	-	792,455
Total revenues	23,382,675	-	-	23,382,675
EXPENDITURES				
Basic instruction	9,575,709	-	-	9,575,709
Pupil services	1,877,169	-	-	1,877,169
Improvement of instructional service	837,849	-	-	837,849
Federal grant administration	6,251	-	-	6,251
School administration	3,983,439	-	-	3,983,439
General administration	305,598	-	-	305,598
Support services - central	420,578	-	-	420,578
Support services - business	1,135,154	-	-	1,135,154
Operation of school	768,660	-	-	768,660
Food services	254,078	-	-	254,078
Transportation	84,685	-	-	84,685
Capital outlay	-	2,608,020		2,608,020
Total expenditures	19,249,170	2,608,020	-	21,857,190
Excess (deficiency) of revenue over (under) expenditures	4,133,505	(2,608,020)	-	1,525,485
OTHER FINANCING SOURCES (USES)				
Transfers	(2,608,020)	2,608,020	-	-
Net change in fund balance	1,525,485	-	-	1,525,485
Fund balances at beginning of the year	12,936,017	-	-	12,936,017
Prior period adjustment	(754,043)	-	-	(754,043)
Fund balances at end of the year	$ 13,707,459	$ -	$ -	$ 13,707,459

The accompanying notes are an integral part to these financial statements.

Mountain Education Center, Inc.
Reconciliation of Statement of Revenue, Expenditures, and Changes in Fund Balance with the Statement of Activities
June 30, 2018

Total net change in fund balances- Government funds	$	1,525,485
The amounts reported for governmental activities in the statement of activities are different because:		
Capital assets are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets are allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay		2,608,020
Depreciation expense		(49,882)
Total		2,558,138
Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Change in pension related accounts		(116,459)
Change in OPEB related accounts		(70,677)
Total change in net position- Governmental activities	$	3,896,487

The accompanying notes are an integral part to these financial statements.

1. Organization

Mountain Education Center, Inc. (a Georgia 501 (c) (3) Corporation) (the School), provides educational services to students in grades 9-12. The School is authorized to serve a minimum of at least 300 students at any point during the charter term. The governing body of the School is the Board of Directors, which is currently comprised of 13 members. Information presented in these financial statements only reflects the financial position and activities of the School.

The general operating authority of the School is contained in O.C.G.A. (Official Code of Georgia Annotated) 20-2-2060, Georgia Statutes. The School operates under a 5-year charter sponsored by State Charter Schools Commission (the "Commission"). The current charter is effective until June 30, 2020. At the end of the charter's term, the Charter may be renewed by agreement of the School and the Commission following the procedures set forth in the Charter Schools Act and accompanying Commissions' rules.

During the term of charter, the Commission may terminate the charter following the procedures set forth in the Charter School Act and rule of the State Board of Education.

2. Significant accounting policies

The accompanying financial statements of the School have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for governmental accounting and financial reporting principles. The most significant of the School's accounting policies are described below.

Basis of presentation

The School's basic financial statements are collectively comprised of the government-wide financial statements, fund financial statements, and notes to the basic financial statements of the Mountain Education Center, Inc.

Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the financial activities of the overall School, except for fiduciary activities. As part of the consolidation process, all interfold activities are eliminated from these statements. Both statements report only governmental activities as the School does not engage in any business type activities.

The Statement of Net Position presents the School's non-fiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories as follows:

- Net investment in capital assets consists of the School District's total investment in capital assets, net of accumulated depreciation, and reduced by outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.

- Restricted net position consists of resources for which the School District is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties or imposed by law through constitutional provisions or enabling legislation.

- Unrestricted net position consists of resources not meeting the definition of the two preceding categories. Unrestricted net positon often has constraints on resources imposed by management which can be removed or modified.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the School's governmental activities.

- Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expenses (expenses of the School related to the administration and support of the School's programs, such as office and maintenance personnel and accounting) are not allocated to programs.

- Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

Fund Financial Statements
The fund financial statements provide information about the School's funds. Eliminations have been made to minimize the double counting of internal activities. Separate financial statements are presented for governmental funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The School reports the following major governmental funds:

- General Fund is the School's primary operating fund. It accounts for and reports all financial resources not accounted for and reported in another fund.

Basis of accounting
The basis of accounting determines when transactions are reported on the financial statements. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, with the exception of the School's proportionate share of the Net Pension Liability. These collective amounts have been allocated by the pension plan based on actual contributions made to the plan during the measurement period to actuarially determine the proportionate share to each participating employer. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The School uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The School considers all revenues reported in the governmental funds to be available if they are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities and acquisitions under capital leases are reported as other financing sources.

The School funds certain programs by a combination of specific cost-reimbursement grants, categorical grants, and general revenues. Thus, when program costs are incurred, both restricted and unrestricted resources are available to finance the program. It is the School's policy to first apply grant resources to such programs, followed by cost-reimbursement grants, then general revenues.

New Accounting Pronouncements
In fiscal year 2018, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions. This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

In fiscal year 2018, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 85, Omnibus 2017. The objective of this statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]).

Net position
The School's net position in the Government-wide Financial Statements is classified as follows:

Net investment in capital assets
This represents the School's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet

expended for capital assets, such amounts are not included as a component of net investment in capital assets.

Restricted net position
This represents resources for which the School is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

Unrestricted net position
Unrestricted net position represents resources derived from grants and contributions not restricted to specific programs, charges for services, and miscellaneous revenues. These resources are used for transactions relating to the educational and general operations of the School, and may be used at the discretion of the Board to meet current expenses for those purposes.

Fund balances
The School's fund balances are classified as follows:

Non-spendable
These are amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted
These are amounts with limitations imposed on their use by external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Committed
These are amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the School's highest level of decision-making authority.

Assigned
These are amounts that are constrained by the School's intent to be used for specific purposes, but are neither restricted nor committed.

Unassigned
These are amounts that have not been assigned to other funds and that have not been restricted, committed, or assigned to specific purposes within the general fund. This is the residual classification for the general fund.

Cash and cash equivalent
Cash and cash equivalents consist of cash on hand, demand deposits, investments in the State of Georgia local government investment pool and short-term investments with original maturities of three months or less from the date of acquisition in authorized financial institutions. Official Code of Georgia Annotated (O.C.G.A.) §45-8-14 authorizes the School to deposit its funds in one or more solvent banks, insured federal savings and loan associations or insured chartered building and loan associations.

Concentrations of credit risks
Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the School will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than Federal or State government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. As of June 30, 2018, the School's cash and cash equivalent accounts were insured or collateralized as required by State statutes.

Collateralization of Deposits
Official Code of Georgia Annotated (OCGA) Section 45-8-12 provides that there shall not be a deposit at any time in any depository for a time longer than ten days a sum of money which has not been secured by surety bond, by guarantee of insurance, or by collateral. The aggregate of the face value of such surety bond and the market value of securities pledged shall be equal to not less than 110 percent of the public funds being secured after the deduction of the amount of deposit insurance. If a depository elects the pooled method (OCGA 45-8-13.1), the aggregate of the market value of the securities pledged to secure a pool of public funds shall be not less than 110 percent of the daily pool balance. Acceptable security for deposits consists of any one of or any combination of the following:

1. Surety bond signed by a surety company duly qualified and authorized to transact business within the State of Georgia
2. Insurance on accounts provided by the Federal Deposit Insurance Corporation
3. Bonds, bills, notes, certificates of indebtedness or other direct obligations of the United States or of the State of Georgia
4. Bonds, bills, notes, certificates of indebtedness or other obligations of the counties or municipalities of the State of Georgia
5. Bonds of any public authority created by the laws of the State of Georgia, providing that the statute that created the authority authorized the use of the bonds for this purpose
6. Industrial revenue bonds and bonds of development authorities created by the laws of the State of Georgia
7. Bonds, bills, notes, certificates of indebtedness, or other obligations of a subsidiary corporation of the United States government, which are fully guaranteed by the United States government both as to principal and interest or debt obligations issued by the Federal Land Bank, the Federal Home Loan Bank, the Federal Intermediate Credit Bank, the Central Bank for Cooperatives, the Farm Credit Banks, the Federal Home Loan Mortgage Association, and the Federal National Mortgage Association.

Stewardship, Compliance and Accountability
The School adopts an annual budget for its General Fund. The budget is prepared in accordance with provisions of the Quality Basic Education Act, OCGA Section 20-2-167. After the School has tentatively adopted the budget, such budget is advertised at least one time in a local newspaper of general circulation. At the next regular meeting of the Board after advertisement, the budget is revised as necessary and adopted as the final budget. The detail of the fiscal year budget is outlined in the supplemental section of the financial statement.

Capital assets
Capital assets purchased, including capital outlay costs, are recorded as expenditures in the fund financial statements at the time of purchase. Capital assets are defined by the School as assets with an initial individual cost of more than $5,000 per unit and an estimated useful life of more than 1 year. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value on the date donated. Disposals are deleted at depreciated recorded cost.

The cost of normal maintenance and repairs that do not add to the value of assets or materially extend the useful lives of the assets are not capitalized. Depreciation is computed using the straight-line method. During the fiscal year under review, no events or changes in circumstances affecting a capital asset that may indicate impairment were known to the School.

The estimated useful lives of capital assets reported in the government-wide statements are as follows:

Asset Class	Estimated Useful Life (years)
Furniture, fixtures and equipment	3 - 10
Building	40

Long-term obligations
In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. In the fund financial statements, governmental funds report the face amount of debt issued as other financing sources and payments of debt principal as other financing uses.

Revenue sources and recognition
Revenues for current operations are received primarily from the State of Georgia through the District pursuant to the funding provisions included in the School's charter. In accordance with the funding provisions of the charter and Section 20-2-2060, Georgia Statutes, the School reports the number of full-time equivalent (FTE) students and related data to the District. Under the provisions of Section 20-2-2060, Georgia Statutes, the District reports the number of FTE students and related data to the Georgia Department of Education (GDOE) for funding. Funding for the School is adjusted during the year to reflect revised calculations by the GDOE under the Georgia Education Finance Program and actual weighted FTE students reported by the School during designated FTE student survey periods.

The School receives federal awards for the enhancement of various educational programs. This assistance is generally based on applications submitted to and approved by various granting agencies. These federal awards may have eligibility requirements whereby the issuance of grant funds is withheld until qualifying expenditures are incurred. Revenues for these awards are recognized only to the extent that eligible expenditures have been incurred.

Additionally, other revenues may be derived from various fundraising activities and certain other programs.

Deferred outflows/inflows of resources
In addition to assets, the statement of net position and/or the balance sheet will report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of resources that applies to a future period(s) and therefore will not be recognized as an outflow of resources (expense/expenditure) until then. Under the full accrual method of accounting, the School has reported the contributions to the cost sharing benefit pension plans subsequent to the measurement date and prior to the fiscal year end as deferred outflows of resources. The School has also reported the actuarial changes in the School's proportionate share of the governmental non-employer cost sharing benefit pension plan, as discussed in note below.

In addition to liabilities, the statement of net position and/or the balance sheet will report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of resources that applies to a future period(s) and therefore will not be recognized as an inflow of resources (revenue) until that time. Under the full accrual method of accounting, the School has reported the actuarial changes in the School's proportionate share of the governmental non-employer cost sharing benefit pension plan, as discussed in note below. This item is reported only in the Statement of Net Position.

Pensions
For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teachers' Retirement System of Georgia (TRS) and Employees' Retirement System (ERS) and additions to/deductions from TRS and ERS's fiduciary net position have been determined on the same basis as they are reported by TRS and ERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Postemployment Benefits Other than Pension (OPEB)
For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Georgia School Employees Postemployment Benefit Fund (School OPEB Fund) and additions to/deductions from School OPEB Fund fiduciary net position have been determined on the same basis as they are reported by School OPEB Fund. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Use of estimates
The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The School considers critical

accounting policies to be those that require more significant judgments and estimates in the preparation of its financial statements. Management bases its estimates on historical experience and various other assumptions that it believes are reasonable under the particular facts and circumstances. Actual results could differ from those estimates.

Income Tax
The School is exempt from federal income taxes under Section 501(C) (3) of the Internal Revenue Code. The School is also exempt from Georgia income taxes and, therefore, has made no provision for federal or Georgia income taxes. In addition, the Internal Revenue Service has determined that the Organization is not a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code.

Budgetary Data
The budget is a complete financial plan for the School's fiscal year, and is based upon careful estimates of expenditures together with probable funding sources. The budget is legally adopted each year for the general, special revenue, debt service, and capital projects funds. There is no statutory prohibition regarding over expenditure of the budget at any level. The budget for all governmental funds, except the various school activity (principal) accounts, is prepared and adopted by fund, function and object. The legal level of budgetary control was established by the Board at the aggregate fund level. The budget for the general fund was prepared in accordance with accounting principles generally accepted in the United States of America.

The budgetary process begins with the School's administration presenting an initial budget for the Board's review. The administration makes revisions as necessary based on the Board's guidelines, and a tentative budget is approved. After approval of this tentative budget by the Board, such budget is advertised at least once in a newspaper of general circulation in the locality, as well as the School's website. At the next regularly scheduled meeting of the Board after advertisement, the Board receives comments on the tentative budget, makes revisions as necessary and adopts a final budget. The approved budget is then submitted, in accordance with provisions of O.C.G.A. §20-2-167(c), to the Georgia Department of Education. The Board may increase or decrease the budget at any time during the year. All unexpended budget authority lapses at fiscal year-end.

See the General Fund Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual in the Supplementary Information Section for a detail of any over/under expenditures during the fiscal year under review.

3. Capital assets
Capital assets activity for the year ended June 30, 2018 was as follows:

	Balance at July 1, 2017	Additions	Dispositions	Balance at June 30, 2018
Non-depreciable assets:				
Land	$ 53,750	$ -	$ -	$ 53,750
Total non-depreciable assets	53,750	-	-	53,750
Capital assets depreciated:				
Land improvements	20,912	2,535,660	-	2,556,572
Building and improvements	503,971	-	-	503,971
Furniture, fixtures and equipment	231,724	72,360	-	304,084
Total assets depreciated	756,607	2,608,020	-	3,364,627
Less accumulated depreciation:				
Land improvements	(1,764)	-	-	(1,764)
Building and improvements	(86,463)	(25,251)	-	(111,714)
Furniture, fixtures and equipment	(95,285)	(24,630)	-	(119,915)
Total accumulated depreciation	(183,512)	(49,881)	-	(233,393)
Total governmental activities Capital assets, net	$ 626,845			$ 3,184,984

Depreciation expense was recorded in the statement of activities as follows:

Depreciation expense by functions:	
Basic Instruction	$ 12,161
School Administration	37,721
Total Depreciation expense	$ 49,882

4. Accounts payable and accrued expenses

As of June 30, 2018, accounts payable consist of the following:

Accrued salaries & benefits	$ 718,672
Accounts payable	385,913
Other	3,529
Total accounts payable and accrued expenses	$ 1,108,114

5. Concentrations - Revenue sources

As stated in Note 2, the School receives revenues for current operations primarily from the State of Georgia through the District. The following is a schedule of revenue sources and amounts:

Sources	
State passed through State Charter School Commission - Quality Basic Education	$ 21,560,052
Total QBE funds	21,560,052
Federal funds:	
Title I	540,322
Special Ed - Flowthrough	306,811
Title II	18,500
Title IV	10,958
Child nutrition program	97,920
Career and Technical Education	4,613
Total federal funds	979,124
Other revenues:	
Charges for services	51,044
Interest income	24,878
Fundraising, donations and other revenue	767,577
Total revenues	$ 23,382,675

6. Commitments and contingencies

Federal and state grants

The School participates in federal and state grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the School has not complied with the rules and regulations governing grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2018 may be impaired. In the opinion of the School, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore no provision has been recorded in the accompanying financial statements for such contingencies.

7. Prior Period Adjustments

For fiscal year 2018, the School made prior period adjustments due to the adoption of GASB Statement No. 75, as described in "New Accounting Pronouncements", which require the restatement of the June 30, 2017, net position in Governmental Activities. The result is a decrease in net position at July 1, 2017 as outlined below. This change is in accordance with generally accepted accounting procedures. As of June 30, 2018 prior period adjustments consist of the following:

Net Position (deficit), July 1, 2017 as previously reported	$ 11,865,049
Prior Period Adjustments:	
Implementation of GASB No. 75 Net OPEB Liability	(2,013,188)
Deferred Outflows - School Contribution made during fiscal year 2017	80,944
Accounts receivable related to QBE revenue recognition and inter-fund related activities	(754,043)
Total prior period adjustments	(2,686,287)
Net Position (deficit), July 1, 2017 as restated	$ 9,178,761

8. Retirement plan

The School participates in the Teachers Retirement System of Georgia (TRS) retirement plan administered by the State of Georgia. TRS issue separate publicly available financial reports that include the applicable financial statements and required supplementary information. The reports may be obtained from the respective administrative offices.

Plan description

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

Benefits provided - TRS

TRS provides service retirement, disability retirement, and death benefits. Normal retirement benefits are determined as 2% of the average of the employee's two highest paid consecutive years of service, multiplied by the number of years of creditable service up to 40 years. An employee is eligible for normal service retirement after 30 years of creditable service,

regardless of age, or after 10 years of service and attainment of age 60. Ten years of service is required for disability and death benefits eligibility. Disability benefits are based on the employee's creditable service and compensation up to the time of disability. Death benefits equal the amount that would be payable to the employee's beneficiary had the employee retired on the date of death. Death benefits are based on the employee's creditable service and compensation up to the date of death.

Benefits provided – ERS
The ERS Plan supports three benefit tiers: Old Plan, New Plan, and Georgia State Employees' Pension and Savings Plan (GSEPS). Employees under the old plan started membership prior to July 1, 1982 and are subject to plan provisions in effect prior to July 1, 1982. Members hired on or after July 1, 1982 but prior to January 1, 2009 are new plan members subject to modified plan provisions. Effective January 1, 2009, new state employees and rehired state employees who did not retain membership rights under the Old or New Plans are members of GSEPS. ERS members hired prior to January 1, 2009 also have the option to irrevocably change their membership to GSEPS.

Under the old plan, the new plan, and GSEPS, a member may retire and receive normal retirement benefits after completion of 10 years of creditable service and attainment of age 60 or 30 years of creditable service regardless of age. Additionally, there are some provisions allowing for early retirement after 25 years of creditable service for members under age 60.

Retirement benefits paid to members are based upon the monthly average of the member's highest 24 consecutive calendar months, multiplied by the number of years of creditable service, multiplied by the applicable benefit factor. Annually, postretirement cost of living adjustments may also be made to members' benefits, provided the members were hired prior to July 1, 2009. The normal retirement pension is payable monthly for life; however, options are available for distribution of the member's monthly pension, at reduced rates, to a designated beneficiary upon the member's death. Death and disability benefits are also available through ERS.

Contributions - TRS
Per Title 47 of the O.C.G.A., contribution requirements of active employees and participating employers, as actuarially determined, are established and may be amended by the TRS Board. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees were required to contribute 6.00% of their annual pay during fiscal year 2018. The School's contractually required contribution rate for the year ended June 30, 2018 was 16.81% of annual School payroll.

Contributions - ERS
Member contributions under the old plan are 4% of annual compensation, up to $4,200, plus 6% of annual compensation in excess of $4,200. Under the old plan, the state pays member contributions in excess of 1.25% of annual compensation. Under the old plan, these state contributions are included in the members' accounts for refund purposes and are used in the computation of the members' earnable compensation for the purpose of computing retirement

benefits. Member contributions under the new plan and GSEPS are 1.25% of annual compensation. The Agency's total required contribution rate for the year ended June 30, 2018 was 24.81% of annual covered payroll for old and new plan members and 21.78% for GSEPS members. The rates include the annual actuarially determined employer contribution rate of 24.69% of annual covered payroll for old and new plan members and 21.66% for GSEPS members, plus a 0.12% adjustment for the HB 751 one-time benefit adjustment of 3% to retired state employees. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employer contributions for the current fiscal year and the preceding fiscal year are as follows:

Year	Percent Contributed	TRS Required Contributed	ERS Required Contributed
2018	100%	$ 372,274	$ 19,688
2017	100%	$ 236,953	$ 22,156
2016	100%	$ 206,708	$ 21,018
2015	100%	$ 167,784	$ 18,179

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

At June 30, 2018, the School reported a liability of $2,850,364 for its proportionate share of the net pension liability for TRS and ERS. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2016. An expected total pension liability as of June 30, 2017 was determined using standard roll-forward techniques. The School's proportion of the net pension liability was based on contributions to TRS during the fiscal year ended June 30, 2017.

At June 30, 2017, the School's TRS proportion was 0.014607% which was an increase of 0.001391% from its proportion measured as of June 30, 2016. For the year ended June 30, 2018, the School recognized pension expense of $502,659 for TRS.

At June 30, 2017, the School's ERS proportion was 0.003339% which was a decrease of 0.000318% from its proportion measured as of June 30, 2016. For the year ended June 30, 2018, the School recognized pension expense of $6,312 for ERS.

At June 30, 2018, the School reported deferred outflows of resource and deferred inflows of resources related to pension from the following sources:

	TRS		ERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between excepted and actual experience	$ 101,549	$ 10,245	$ 1,486	$ 1
Changes of assumptions	59,511	-	309	-
Net difference between projected and actual earnings on pension plan investments	-	18,682	-	338
Changes in proportion and differences between School District contributions and proportionate share of contributions	518,591	-	206	8,258
School contributions subsequent to the measurement date	372,274	-	19,688	-
Total	$ 1,051,925	$ 28,927	$ 21,689	$ 8,597

The School contributions subsequent to the measurement date of $98,896 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	TRS	ERS
Year ended June 30,	(Outflow) / Inflow of resources	(Outflow) / Inflow of resources
2019	$ 187,680	$ (6,548)
2020	$ 304,934	$ 2,274
2021	$ 166,737	$ 1,522
2022	$ (14,981)	$ (3,844)
2023	$ 6,354	$ -
Thereafter	$ -	$ -

Actuarial assumptions

The total pension liability as of June 30, 2017 was determined by an actuarial valuation as of June 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increase	3.25 - 9.00%, average, including inflation
Investment rate of return	7.50%, net of pension plan investment expenses, including inflation

Post retirement mortality rates were based on the RP 2000 White Collar Mortality Table with future mortality improvement projected to 2025 with the Society of Actuaries' projection scale BB (set forward one year for males) for service retirements and dependent beneficiaries. The RP 2000 Disabled Mortality Table with future mortality improvement projected to 2025 with Society of Actuaries' projection scale BB (set forward two years for males and four years for females) was used for death after disability retirement. Rates of mortality in active service were based on the RP 2000 Employee Mortality Table projected to 2025 with projection scale BB.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2009 - June 30, 2014.

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

	TRS		ERS	
Asset Class	Target Allocation	Long-term expected real rate of return*	Target Allocation	Long-term expected real rate of return*
Fixed income	30.00%	-0.50%	30.00%	-0.50%
Domestic large stocks	39.80%	9.00%	37.20%	9.00%
Domestic mid stocks	3.70%	12.00%	3.40%	12.00%
Domestic small stocks	1.50%	13.50%	1.40%	13.50%
International developed market stocks	19.40%	8.00%	17.80%	8.00%
International emerging market stocks	5.60%	12.00%	5.20%	12.00%
Alternatives	0.00%	0.00%	5.00%	10.50%
Total	100.00%		100.00%	

* Rates shown are net of the 2.75% assumed rate of inflation.

Discount rate

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

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

The following presents the School's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the School's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

Teachers Retirement System	1% Decrease (6.5%)	Current discount rate (7.5%)	1% Increase (8.5%)
School's proportion of the net pension liability	$ 4,455,233	$ 2,714,756	$ 1,280,994

Employees' Retirement System	1% Decrease (6.5%)	Current discount rate (7.5%)	1% Increase (8.5%)
School's proportion of the net pension liability	$ 191,404	$ 135,608	$ 88,012

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued TRS financial report which is publically available at www.trsga.com/publications and www.ers.ga.gov/formspubs/formspubs.

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

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

Method and assumptions used in calculations of actuarially determined contributions: The actuarially determined contribution rates in the schedule of contributions are calculated as of June 30, three years prior to the end of the fiscal year in which contributions are reported. (June 30, 2017 employer contributions were determined in the June 30, 2014 valuation). The following actuarial methods and assumptions were used to determine the contractually required contributions for year ended June 30, 2016 reported in that schedule:

Valuation date	30-Jun-16
Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	29 years
Asset valuation method	Five-year smoothed market
Inflation rate	3.00%
Salary increases	3.75 - 7.00%, average, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation
Post-retirement benefit increase	1.50% semi-annually

9. Other Post-Employment Benefits (OPEB)

Georgia School Personnel Post-Employment Health benefit Fund

Plan description
Certified teachers and non-certified public school employees of the School as defined in §20-2-875 of the Official Code of Georgia Annotated (O.C.G.A.) are provided OPEB through the School OPEB Fund - a cost-sharing multiple-employer defined benefit postemployment healthcare plan, reported as an employee trust fund and administered by a Board of Community Health (Board). Title 20 of the O.C.G.A. assigns the authority to establish and amend the benefit terms of the group health plan to the Board.

Benefits Provided
The School OPEB Fund provides healthcare benefits for retirees and their dependents due under the group health plan for public school teachers, including librarians, other certified employees of public schools, regional educational service agencies and non-certified public school employees. Retiree medical eligibility is attained when an employee retires and is immediately eligible to draw a retirement annuity from Employees' Retirement System (ERS), Georgia Judicial Retirement System (JRS), Legislative Retirement System (LRS), Teachers Retirement System (TRS) or Public School Employees Retirement System (PSERS). If elected, dependent coverage starts on the same day as retiree coverage. Medicare-eligible retirees are offered Standard and Premium Medicare Advantage plan options. Non-Medicare eligible retiree plan options include Health Reimbursement Arrangement (HRA), Health Maintenance Organization (HMO) and a High Deductible Health Plan (HDHP). The School OPEB Fund also pays for administrative expenses of the fund. By law, no other use of the assets of the School OPEB Fund is permitted.

Contributions
As established by the Board, the School OPEB Fund is substantially funded on a pay-as-you-go basis; that is, annual cost of providing benefits will be financed in the same year as claims occur. Contributions to the School OPEB Fund from the School were $34,087 for the year ended June 30, 2018. Active employees are not required to contribute to the School OPEB Fund. Contributions as of June 30, 2018 as follows:

Year	Percent Contributed	Required Contributed
2018	100%	$ 99,959

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB
At June 30, 2018, the School reported a liability of $557,745 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017. The total OPEB liability used to calculate the net OPEB liability was based on an actuarial valuation as of June 30, 2016. An expected total OPEB liability as of June 30, 2017 was determined using standard

roll-forward techniques. The School's proportion of the net OPEB liability was actuarially determined based on employer contributions during the fiscal year ended June 30, 2017. At June 30, 2017, the School's proportion was 0.003001% which was an increase of 0.000839% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the School recognized OPEB expense of $158,836. At June 30, 2018, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between excepted and actual experience	$ -	$ -
Changes of assumptions	-	166,087
Net difference between projected and actual earnings on OPEB plan investments	638	-
Changes in proportion and differences between School contributions and proportionate share of contributions	243,685	-
School contributions subsequent to the measurement date	99,959	-
Total	$ 344,282	$ 166,087

School contributions subsequent to the measurement date of $34,087 are reported as deferred outflows of resources and will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30,	(Outflow) / Inflow of resources
2019	$ 14,116
2020	$ 14,116
2021	$ 14,116
2022	$ 14,116
2023	$ 13,956
2024	$ 7,816
Thereafter	$ -

Actuarial assumptions
The total OPEB liability as of June 30, 2017 was determined by an actuarial valuation as of June 30, 2016 using the following actuarial assumptions and other inputs, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017:

Inflation rate	2.75%
Salary increases	3.25 – 7.00%, including inflation
ERS	4.50%, including inflation
JRS	4.50%, including inflation
LRS	None
TRS	3.25 - 9.00%, including inflation
PSERS	N/A
Long-term expected rate of return	3.88%, compounded annually, net of investment expense, and including inflation
Healthcare cost trend rate	
Pre-Medicare Eligible	7.75%
Medicare Eligible	5.75%
Ultimate trend rate	
Pre-Medicare Eligible	5.00%
Medicare Eligible	5.00%
Year of Ultimate trend rate	2022

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale BB as follows:

- For ERS, JRS and LRS members: The RP-2000 Combined Mortality Table projected to 2025 with projection scale BB and set forward 2 years or both males and females is used for the period after service retirement and for dependent beneficiaries. The RP-2000 Disabled Mortality Table projected to 2025 with projection scale BB and set back 7 years for males and set forward 3 years for females is used for the period after disability retirement

- For TRS members: The RP-2000 White Collar Mortality Table projected to 2025 with projection scale BB (set forward 1 year for males) is used for death after service retirement and beneficiaries. The RP-2000 Disabled Mortality Table projected to 2025 with projection scale BB (set forward two years for males and four years for females) is used for death after disability retirement.

- For PSERS members: The RP-2000 Blue-Collar Mortality Table projected to 2025 with projection scale BB (set forward 3 years for males and 2 years for females) is used for the period after service retirement and for beneficiaries of deceased members. The RP-

2000 Disabled Mortality Table projected to 2025 with projection scale BB (set forward 5 years for both males and females) is used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the pension systems, which covered the five-year period ending June 30, 2014.

Projection of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculation.

Additionally, there was a change that affected measurement of the total OPEB liability since the prior measurement date. The methodology used to determine employee and retiree participation in the School OPEB Fund is based on their current or last employer payroll location. Current and former employees of public school s, libraries, regional educational service agencies and community colleges are allocated to the School OPEB Fund irrespective of retirement system affiliation.

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

Asset Class	OPEB Target Allocation
Fixed income	
Agency	18.05%
U.S Treasury	9.27%
Cash	70.40%
Asset Backed Securities	2.28%
Total	100.00%

Discount rate
In order to measure the total OPEB liability for the School OPEB Fund, a single equivalent interest rate of 3.58% was used as the discount rate. This is comprised mainly of the yield or index rate for 20 year tax-exempt general obligation municipal bonds with an average rating of AA or higher (3.56% per the Bond Buyers Index). The projection of cash flows used to determine the discount rate assumed that contributions from members and from the employer will be made at the current level as averaged over the last five years, adjusted for annual projected changes in headcount. Projected future benefit payments for all current plan members were projected through 2115. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make OPEB payments for inactive employees through year 2029. Therefore, the calculated discount rate of 3.58% was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the School's proportionate share of the net OPEB liability to changes in the discount rate: The following presents the School's proportionate share of the net OPEB liability calculated using the discount rate of 3.58%, as well as what the School's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.58%) or 1 percentage-point higher (4.58%) than the current discount rate:

	1% Decrease (2.58%)	Current discount rate (3.58%)	1% Increase (4.58%)
School's proportion of the net OPEB liability	$ 2,589,684	$ 2,181,116	$ 1,858,672

Sensitivity of the School's proportionate share of the net OPEB liability to changes in the healthcare cost trend rates: The following presents the School's proportionate share of the net OPEB liability, as well as what the School's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
School's proportion of the net OPEB liability	$ 1,807,896	$ 2,181,116	$ 2,667,046

OPEB plan fiduciary net position: Detailed information about the OPEB plan's fiduciary net position is available in the Comprehensive Annual Financial Report (CAFR) which is publicly available at https://sao.georgia.gov/comprehensive-annual-financial-reports.

10. Risk management

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors or omissions; job related illness or injuries to employees; and acts of God. The School has obtained commercial insurance for risk of loss associated with torts, assets, errors or omissions, job related illness or injuries to employees and acts of God.

The School elects to pay unemployment insurance taxes using the contributory method. Taxes are paid quarterly to the Georgia Department of Labor using a set rate based on historical experience.

11. Inherent limitation in evaluating the entity's ability to continue as a going concern

The potential effects of inherent limitations on the ability to detect material misstatements are greater for future events or conditions, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time. Predictions cannot be made about such future conditions or events. Accordingly, the absence of any reference to substantial doubts about the entity's ability to continue as a going concern for a reasonable period of time in the accompanying financial statements cannot be viewed as a guarantee of the entity's ability to continue as a going concern for a reasonable period of time.

12. Subsequent events

The School evaluated subsequent events through the date the financial statements were available to be issued. The School is not aware of any subsequent events which would require recognition or disclosure in the accompanying financial statements.

Mountain Education Center, Inc.
Schedule of Proportionate Share of the Net Pension Liability – Teachers' Retirement System of Georgia and Employees Retirement System of Georgia
June 30, 2018

Teachers Retirement System of Georgia

	2018	2017	2016	2015
School's proportion of the net pension liability	0.014607%	0.013216%	0.012083%	0.010590%
School's proportionate share of the net pension liability	$2,714,756	$2,726,608	$1,839,517	$ 1,337,907
School's covered-employee payroll	$2,214,597	$1,660,498	$1,448,549	$ 1,275,923
School's proportionate share of the net pension liability as a percentage of its covered employee payroll	122.58%	164.20%	126.99%	104.86%
Plan fiduciary net position as a percentage of the total pension liability	79.33%	76.06%	81.44%	84.03%

Employees Retirement System of Georgia

	2018	2017	2016	2015
School's proportion of the net pension liability	0.003339%	0.003657%	0.003621%	0.003917%
School's proportionate share of the net pension liability	$ 135,608	$ 172,991	$ 146,701	$ 146,912
School's covered-employee payroll	$ 79,741	$ 89,303	$ 85,024	$ 82,782
School's proportionate share of the net pension liability as a percentage of its covered employee payroll	170.06%	193.71%	172.54%	177.47%
Plan fiduciary net position as a percentage of the total pension liability	76.33%	72.34%	76.20%	77.99%

Mountain Education Center, Inc.
Schedule of Proportionate Share of the Net Pension Liability – Net OPEB Liability - Georgia School Personnel Post-Employment Health Benefit Fund
June 30, 2018

	2018
School's proportion of the net OPEB liability	0.015524%
School's proportionate share of the net OPEB liability	$ 2,181,116
School's covered-employee payroll	$ 2,214,597
School's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	98.49%
Plan fiduciary net position as a percentage of the total OPEB liability	1.61%

Mountain Education Center, Inc.
Schedule of Contributions - Teachers' Retirement System of Georgia and Employees Retirement System of Georgia
June 30, 2018

Teachers Retirement System of Georgia

Year Ended	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	School's covered-employee payroll	Contributions as a percentage of covered-employee payroll
2018	$ 372,274	$ 372,274	$ -	$ 2,214,597	16.81%
2017	$ 236,953	$ 236,953	$ -	$ 1,660,498	14.27%
2016	$ 206,708	$ 206,708	$ -	$ 1,448,549	14.27%
2015	$ 167,784	$ 167,784	$ -	$ 1,275,923	13.15%
2014	$ 132,672	$ 132,672	$ -	$ 1,080,392	12.28%
2013	$ 101,765	$ 101,765	$ -	$ 891,896	11.41%
2012	$ 78,636	$ 78,636	$ -	$ 764,941	10.28%
2011	$ 67,119	$ 67,119	$ -	$ 652,907	10.28%
2010	$ 39,863	$ 39,863	$ -	$ 409,269	9.74%
2009	$ 43,415	$ 43,415	$ -	$ 467,836	9.28%
2008	$ 48,163	$ 48,163	$ -	$ 518,999	9.28%

Employees Retirement System of Georgia

Year Ended	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	School's covered-employee payroll	Contributions as a percentage of covered-employee payroll
2018	$ 19,688	$ 19,688	$ -	$ 79,741	24.69%
2017	$ 22,156	$ 22,156	$ -	$ 89,303	24.81%
2016	$ 21,018	$ 21,018	$ -	$ 85,024	24.72%
2015	$ 18,179	$ 18,179	$ -	$ 82,782	21.96%
2014	$ 15,282	$ 15,282	$ -	$ 82,782	18.46%
2013	$ 12,106	$ 12,106	$ -	$ 81,249	14.90%
2012	$ 7,807	$ 7,807	$ -	$ 67,131	11.63%
2011	$ 7,807	$ 7,807	$ -	$ 74,998	10.41%
2010	$ 7,807	$ 7,807	$ -	$ 74,998	10.41%
2009	$ 5,118	$ 5,118	$ -	$ 49,169	10.41%

Mountain Education Center, Inc.
Schedule of Contributions - Georgia School Personnel Post-Employment Health Benefit Fund
June 30, 2018

	2018
Contractually required contribution	$ 99,959
Contributions in relation to the contractually required contribution	99,959
Contribution deficiency (excess)	$ -
School's covered-employee payroll	$ 2,214,597
Contributions as a percentage of covered-employee payroll	4.51%

Mountain Education Center, Inc.
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund
For the period ended June 30, 2018

	Original Budget	Actual	Variance
REVENUES			
State passed through State Charter School Commission	$ 18,261,320	$ 21,560,052	$ 3,298,732
Supplemental revenue	191,150	1,822,623	1,631,473
Total revenue	18,452,470	23,382,675	4,930,205
EXPENDITURES			
Basic instruction	11,196,842	9,575,709	(1,621,133)
Pupil services	1,732,584	1,877,169	144,585
Improvement of instructional services	753,988	837,849	83,861
Federal grant administration	-	6,251	6,251
School administration	4,534,118	3,983,439	(550,679)
General administration	751,003	305,598	(445,405)
Support services - central	10,850	420,578	409,728
Support services - business	1,097,406	1,135,154	37,748
Operation of school	781,799	768,660	(13,139)
Food services	335,000	254,078	(80,922)
Transportation	20,000	84,685	64,685
Capital outlay	-	2,608,020	2,608,020
Total expenditures	21,213,589	21,857,190	643,601
Net change in fund balances	(2,761,119)	1,525,485	4,286,604
Fund balances at beginning of the year	12,936,017	12,936,017	-
Prior period adjustment	-	(754,043)	(754,043)
Fund balances at end of the year	$ 10,174,899	$ 13,707,459	$ 3,532,560

Mountain Education Center, Inc.
Note to the Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund
For the period ended June 30, 2018

1. **Budgetary Information**

   Budgetary basis of accounting
   Annual budgets are adopted for the entire operations at the combined governmental level and may be amended by the board of directors (the "Board"). The budgets presented for the fiscal year ended June 30, 2018 have been amended according to Board procedures. Budgets are adopted in full accrual basis accounting. The legal level of budgetary control is the fund level.

Mountain Education Center, Inc.
Schedule of Expenditure of Federal Awards
For the period ended June 30, 2018

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures	Pass-through to Subrecipients
U.S. Department of Education:				
Pass-through from Georgia Department of Education:				
Title I Grant to Local Educational Agencies	84.010	N/A	$ 476,943	$ -
Title II Grant - Improving Teacher Quality State Grant	84.367	N/A	18,500	-
Title IV-A - Student Support and Academic Enrichment Grant	84.424	N/A	-	-
Career and Technical Education - Basic Grant to States	84.048	N/A	2,910	
Special Education Cluster (IDEA)				
Special Education - Grants to States	84.027	N/A	306,811	-
Total U.S. Department of Education			805,164	-
U.S. Department of Agriculture:				
Pass-through from Georgia Department of Education:				
Child Nutrition Cluster - National School Lunch Program	10.555		97,920	
Total U.S. Department of Agriculture			97,920	-
Total Federal Awards			$ 903,084	$ -

Mountain Education Center, Inc.
Notes to the Schedule of Expenditure of Federal Awards
For the period ended June 30, 2018

1. **Basis of Presentation**
   The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Mountain Education Center, Inc. (the "School") under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, change in net assets, or cash flows of the Organization.

2. **Summary of Significant Accounting Policies**
   Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable are limited as to reimbursement.

3. **Indirect Cost Rate**
   The Organization has not elected to use the 10-percent de minimis cost rate allowed under the Uniform Guidance.

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

To the Board of Directors
Mountain Education Center, Inc.
Cleveland, Georgia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mountain Education Center, Inc. ("the School"), as of and for the year ended June 30, 2018, and related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated October 26, 2018.

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

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

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

Compliance and Other Matters
As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and

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

Purpose of this Report

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

Bambo Sonaike CPA, LLC

October 26, 2018

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE

To the Board of Directors
Mountain Education Center, Inc.
Cleveland, Georgia

Report on Compliance for Each Major Federal Program
We have audited Mountain Education Center, Inc.'s (the School) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2018. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility
Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility
Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program
In our opinion, Mountain Education Center, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control over Compliance

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

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

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

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

Bambo Sonaike CPA, LLC

October 26, 2018

Section I - Summary of Auditors Result

Financial Statements

Type of auditor's report issued	Un-modified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified that are not considered to be material weakness?	None reported
Non-compliance material to financial statements noted?	No

Federal Awards

Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified that are not considered to be material weakness?	None reported
Non-compliance material to financial statements noted?	No
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance?	No
Identification of major federal programs:	
Name of federal program or cluster	CFDA Numbers
Title I Grant to Local Educational Agencies	84.010
Dollar threshold used to distinguish between type A and type B programs:	$ 750,000
Auditee qualified as a low risk auditee?	No

Section II - Financial Statement Findings

There were no reportable conditions identifies to be material weakness.

Section III - Federal Awards Findings & Questioned Costs

There were no reportable conditions identifies to be material weakness.

Mountain Education Center, Inc.
Schedule of Expenditure of State Awards
For the period ended June 30, 2018

State Grantor/ Pass-through Grantor/ Program Title	Revenues	Expenditures	Amount (due to) / from Agency
Georgia Department of Education			
Title I Grant to Local Educational Agencies	$ 540,322	$ 476,943	$ (63,379)
Title II Grant - Improving Teacher Quality State Grant	18,500	18,500	-
Title IV-A - Student Support and Academic Enrichment Grant	10,958	-	(10,958)
Career and Technical Education - Basic Grant to States	4,613	2,910	(1,703)
Special Education - Grants to States	306,811	306,811	-
Child Nutrition Cluster - National School Lunch Program	97,920	97,920	-
Total Georgia Department of Education	979,124	903,084	(76,040)
Total State Awards	$ 979,124	$ 903,084	$ (76,040)

–End of Report–