



Darrell L. Keller, CPA, PA

**PINNACLE CLASSICAL ACADEMY
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016**

(704) 739-0771

Pinnacle Classical Academy
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June 30, 2016

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Financial Section

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Pinnacle Classical Academy
Shelby, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Pinnacle Classical Academy, Shelby, North Carolina as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Pinnacle Classical Academy's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Pinnacle Classical Academy, Shelby, North Carolina, as of June 30, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3–10 and the Schedule of the Proportionate Share of the Net Pension Liability and the Schedule of Contributions on pages 32 and 33, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

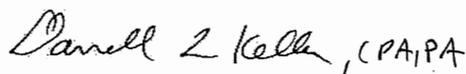
Supplementary and Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2016, on our consideration of Pinnacle Classical Academy, Shelby, North Carolina'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 Pinnacle Classical Academy, Shelby, North Carolina's internal control over financial reporting and compliance.



Darrell L. Keller, CPA, PA
Kings Mountain, North Carolina
November 12, 2016

Management's Discussion and Analysis
Pinnacle Classical Academy
June 30, 2016

As management of Pinnacle Classical Academy, we offer readers of Pinnacle Classical Academy's audited financial statements this narrative overview and analysis of the financial activities of Pinnacle Classical Academy for the fiscal year ended June 30, 2016. We encourage readers to read the information presented herein in conjunction with additional information that we have furnished in the School's financial statements, which follow this narrative.

Financial Highlights

- The assets and deferred outflows of Pinnacle Classical Academy exceeded its liabilities and deferred inflows at the close of the fiscal year by \$2,048,898 (*net position*).
- The school's total net position increased by \$4601,453, primarily due to increases in the governmental activities net position.
- As of the close of the current fiscal year, Pinnacle Classical Academy's governmental funds reported combined ending fund balances of \$384,478.

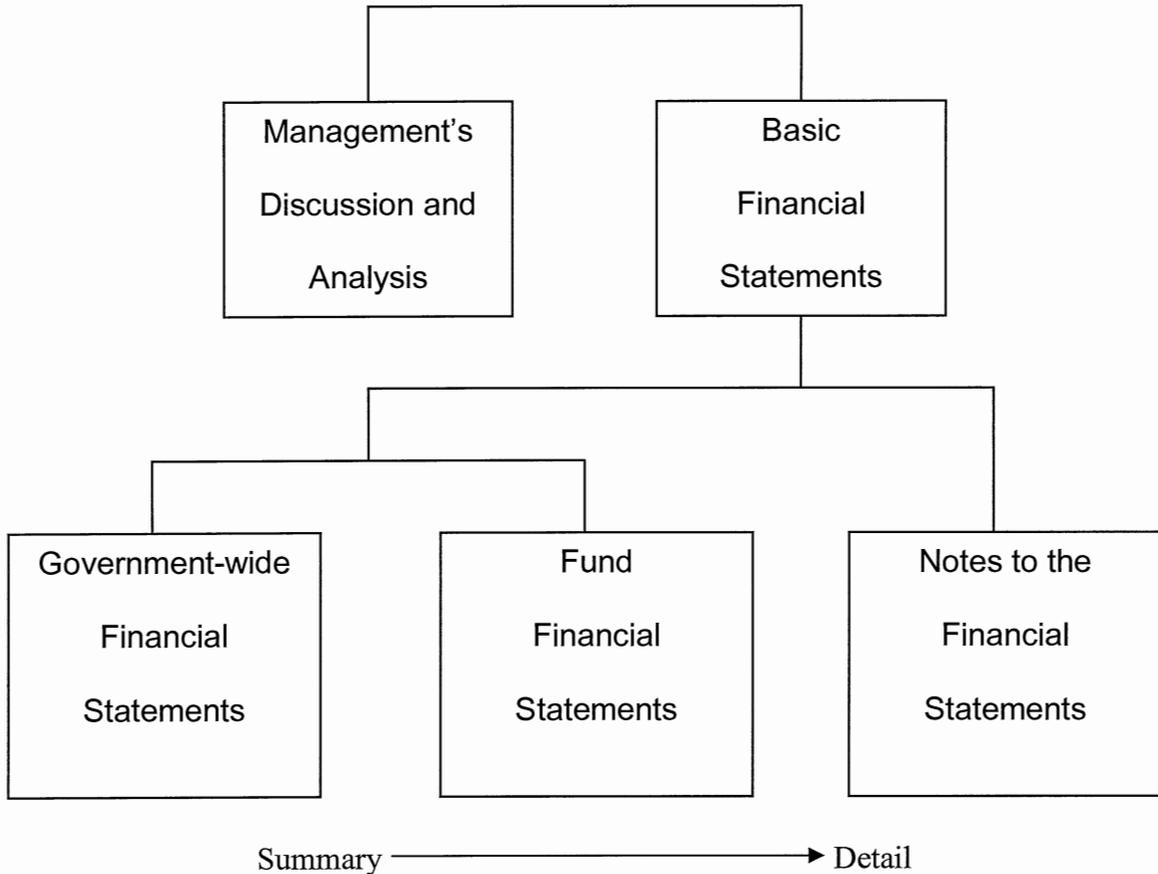
Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Pinnacle Classical Academy's basic financial statements. The School's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two distinct financial perspectives of the School through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of Pinnacle Classical Academy.

Management's Discussion and Analysis
Pinnacle Classical Academy
June 30, 2016

Figure 1

Required Components of Annual Financial Report



Basic Financial Statements

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

The next statements (Exhibits 3 through 8) are **Fund Financial Statements**. These statements focus on the activities of the individual segments of the School's government. These statements are more detailed than the government-wide financial statements. There are two parts to the Fund Financial Statements: 1) the governmental funds statements; and 2) the proprietary fund statements.

Immediately following the fund financial statements are the **Notes to the Financial Statements** (i.e. "Notes"). The Notes offer a detailed explanation of the data contained in those statements. Next, **supplemental information** is provided to show details about the School's funds. Budgetary information for the School also can be found in this section of the statements.

Management's Discussion and Analysis
Pinnacle Classical Academy
June 30, 2016

Government-wide Financial Statements

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

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

The government-wide statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include most of the School's basic functions such as instructional services and business services. These functions are funded almost entirely through state, county, city, and federal educational funds. The business-type activities are those services that the School charges its students and other customers. The School has no business-type activities.

The government-wide financial statements are enumerated in Exhibits 1 and 2 of this report.

Fund Financial Statements

The fund financial statements provide a more detailed look at the School's most significant activities. A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. Pinnacle Classical Academy, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related statutory requirements, such as the North Carolina General Statutes or the School's budget ordinance, where and when applicable. All of the funds of Pinnacle Classical Academy are governmental funds.

Governmental Funds – Governmental funds are used to account for functions reported as governmental activities in the government-wide financial statements. Most of the School's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and monies remaining at year-end that will be available for spending in the next fiscal year. Governmental funds are reported using the modified accrual accounting method, which provides a short-term spending focus. The governmental fund financial statements assist the reader in determining whether there has been an increase or a decrease in the financial resources available to finance the School's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation, which is an integral part of the fund financial statements.

Management's Discussion and Analysis
Pinnacle Classical Academy
June 30, 2016

The School adopts an annual budget for each of its funds, although it is not required to do so by the General Statutes. Because the budget is not legally required by the Statutes, the budgetary comparison statements are not included in the basic financial statements, but are part of the supplemental statements and schedules that follow the notes. The budget is a legally adopted document that incorporates input from the faculty, management, and the Board of Directors of the School in determining what activities will be pursued and what services the School will provide during the year. It also authorizes the School to obtain funds from identified sources to finance current period activities. The budgetary statement provided demonstrates how well the School has complied with the budget ordinance and whether or not the School has succeeded in providing the services as planned when the budget was adopted.

Proprietary Funds – Pinnacle Classical Academy has no proprietary funds.

Notes to the Financial Statements – The notes provide additional information essential to facilitating a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 16 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as one useful indicator of a school's financial condition. The assets and deferred outflows of Pinnacle Classical Academy exceeded liabilities and deferred inflows of resources by \$2,048,898 as of June 30, 2016. The School's net position increased by \$601,453 for the fiscal year ended June 30, 2016. One of the largest portions \$1,631,163 reflects the School's investment in capital assets (e.g. land, buildings and improvements, instructional equipment, and vehicles) less any related debt still outstanding that was issued to acquire those items. Pinnacle Classical Academy uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although Pinnacle Classical Academy's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. The remaining balance of \$417,735 is unrestricted.

Management's Discussion and Analysis
Pinnacle Classical Academy
June 30, 2016

Figure 2
Pinnacle Classical Academy's Net Position

	Governmental Activities		Total	
	2016	2015	2016	2015
Current and other assets	\$ 585,082	\$ 529,260	\$ 585,082	\$ 529,260
Due from other governments	10,686	8,799	10,686	8,799
Capital assets, net of depreciation	2,619,940	913,011	2,619,940	913,011
Total Assets	<u>3,215,708</u>	<u>1,451,070</u>	<u>3,215,708</u>	<u>1,451,070</u>
Deferred outflows of resources	<u>423,708</u>	<u>395,392</u>	<u>423,708</u>	<u>395,392</u>
Other Liabilities	211,290	16,269	211,290	16,269
Long-term Liabilities outstanding	1,308,284	110,048	1,308,284	110,048
Total Liabilities	<u>1,519,574</u>	<u>126,317</u>	<u>1,519,574</u>	<u>126,317</u>
Deferred inflows of resources	<u>70,944</u>	<u>272,700</u>	<u>70,944</u>	<u>272,700</u>
Net Position:				
Net investment in capital assets	1,631,163	878,467	1,631,163	878,467
Restricted for Capital Project	-	11,850	-	11,850
Unrestricted	417,735	557,128	417,735	557,128
Total net position	<u>\$2,048,898</u>	<u>\$ 1,447,445</u>	<u>\$2,048,898</u>	<u>\$ 1,447,445</u>

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

- The School adopted an annual budget. The School's performance was measured using this budget on a monthly basis, allowing changes to be made in spending as needed to remain within the confines of the budget.
- The School applied for and was awarded federal grants to assist with meeting the educational needs of the student population.

Management's Discussion and Analysis
Pinnacle Classical Academy
June 30, 2016

Figure 3
Pinnacle Classical Academy's Changes in Net Position

	Governmental Activities		Total	
	2016	2015	2016	2015
Donations and Other Revenues	\$169,944	\$ 163,028	\$ 169,944	\$ 163,028
Charges for Services	-	-	-	-
County, State, and Federal Funds	3,271,680	2,547,202	3,271,680	2,547,202
Total revenues	3,441,624	2,710,230	3,441,624	2,710,230
Instructional Services	2,356,044	1,760,510	2,356,044	1,760,510
System-wide support services	465,185	460,710	465,185	450,710
Interest on long-term debt	18,942	2,005	18,942	2,005
Total expenses	2,840,171	2,213,225	2,840,171	2,213,225
Increase in net position before transfers	601,453	497,005	601,453	497,005
Transfers	-	-	-	-
Increase in net position:	601,453	497,005	601,453	497,005
Net position, beginning, previously reported	-	883,710	-	883,710
Net position, July 1	1,447,445	950,440	1,447,445	950,440
Net position, June 30	\$2,048,898	\$ 1,447,445	\$ 2,048,898	\$ 1,447,445

Governmental activities. Governmental activities increased the School's net position by \$601,453.

Business-type activities. The School has no business type activities.

Financial Analysis of the School's Funds

As noted earlier, Pinnacle Classical Academy uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

The general fund is the chief operating fund of Pinnacle Classical Academy. At the end of the current fiscal year, unassigned fund balance was \$377,085.

Proprietary Funds. The School has no proprietary funds.

Management's Discussion and Analysis
Pinnacle Classical Academy
June 30, 2016

Capital Asset and Debt Administration

Capital assets. Pinnacle Classical Academy's investment in capital assets for its governmental activities as of June 30, 2016, totals \$2,619,940 (net of accumulated depreciation). Capital assets include leasehold improvements, instructional equipment, and vehicles.

Figure 4
Pinnacle Classical Academy's Capital Assets
(net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land and CIP	\$ 1,257,149	\$ 660,983	\$ -	\$ -	\$ 1,257,149	\$ 660,983
Building/Leasehold Imp	1,108,083	72,863	-	-	1,108,083	72,863
Modulars	226,479	139,646	-	-	226,479	139,646
Electronic equipment	28,229	39,519	-	-	28,229	39,519
Total	\$ 2,619,940	\$ 913,011	\$ -	\$ -	\$ 2,619,940	\$ 913,011

Additional information about the School's capital assets can be found in Note III.A.2 of the Basic Financial Statements.

Long-term Debt. As of June 30, 2016, the Pinnacle Classical Academy had \$988,777 long-term debt outstanding.

Figure 5
Pinnacle Classical Academy's Outstanding Debt

	Governmental Activities		Total	
	2016	2015	2016	2015
Note Payable-CF	\$ -	\$ 34,544	\$ -	\$ 34,544
Note Payable-Alliance	923,777	-	923,777	-
Construction Loan	65,000	-	65,000	-
Total long term obligations	\$ 988,777	\$ 34,544	\$ 988,777	\$ 34,544

Management's Discussion and Analysis
Pinnacle Classical Academy
June 30, 2016

Economic Factors

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

- The School is located in the growing area of Shelby, North Carolina.

Requests for Information

This report is designed to provide an overview of the School's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Executive Director, Pinnacle Classical Academy, 900 S Post Road, Shelby, North Carolina 28152.

FINANCIAL STATEMENTS

Pinnacle Classical Academy
Statement of Net Position
June 30, 2016

	Primary Government	
	Governmental Activities	Total
ASSETS		
Cash and cash equivalents	\$ 575,215	\$ 575,215
Receivables (net)	2,474	2,474
Due from other governments	10,686	10,686
Prepaid expenses	7,393	7,393
Capital assets (Note 1):		
Land, improvements, and construction in progress	1,257,149	1,257,149
Other capital assets, net of depreciation	1,362,791	1,362,791
Total capital assets	<u>2,619,940</u>	<u>2,619,940</u>
Total assets	<u>3,215,708</u>	<u>3,215,708</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>423,708</u>	<u>423,708</u>
LIABILITIES		
Accounts payable and accrued expenses	211,290	211,290
Long-term liabilities:		
Net Pension Liability	319,507	319,507
Due within one year	31,281	31,281
Due in more than one year	957,496	957,496
Total liabilities	<u>1,519,574</u>	<u>1,519,574</u>
DEFERRED INFLOWS OF RESOURCES	<u>70,944</u>	<u>70,944</u>
NET POSITION		
Net investment in capital assets	1,631,163	1,631,163
Unrestricted	417,735	417,735
Total net position	<u>\$ 2,048,898</u>	<u>\$ 2,048,898</u>

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

**Pinnacle Classical Academy
Statement of Activities
For the Year Ended June 30, 2016**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
					Governmental Activities	Total
Primary government:						
Governmental Activities:						
Instructional programs	\$ 2,356,044	\$ -	\$ -	\$ -	\$ (2,356,044)	\$ (2,356,044)
Support services	465,185	-	-	-	(465,185)	(465,185)
Interest expense	18,942	-	-	-	(18,942)	(18,942)
Total governmental activities	2,840,171	-	-	-	(2,840,171)	(2,840,171)
General revenues:						
Unrestricted county appropriations					662,677	662,677
Unrestricted State appropriations					2,556,909	2,556,909
Unrestricted Federal appropriations					52,094	52,094
Donations - general					9,831	9,831
Miscellaneous, unrestricted					160,113	160,113
Transfers					-	-
Total general revenues, special items, and transfers					3,441,624	3,441,624
Change in net position					601,453	601,453
Net position, beginning					1,447,445	1,447,445
Net position-ending					\$ 2,048,898	\$ 2,048,898

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

**Pinnacle Classical Academy
Balance Sheet
Governmental Funds
June 30, 2016**

	Major Funds				Total Governmental Funds
	General	State Public School	Federal Grants Fund	Capital Projects Fund	
ASSETS					
Cash and cash equivalents	\$ 575,215	\$ -	\$ -	\$ -	\$ 575,215
Accounts receivable	2,474	-	-	-	2,474
Due from other governments	10,686	-	-	-	10,686
Prepaid Expenses	7,393	-	-	-	7,393
Total assets	<u>\$ 595,768</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 595,768</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ 211,290	\$ -	\$ -	\$ -	\$ 211,290
Note Payable	-	-	-	-	-
Total liabilities	<u>211,290</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>211,290</u>
Fund balances:					
Nonspendable:					
Prepaid Expenses	7,393	-	-	-	7,393
Restricted					
Reserved for Capital Project	-	-	-	-	-
Unassigned, General Fund	377,085	-	-	-	377,085
Total fund balances	<u>384,478</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>384,478</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 595,768</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	2,619,940
Deferred outflows of resources related to pensions	423,708
Liabilities for earned but unavailable revenues in fund statements.	-
Some liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported in the funds (Note 5).	(988,777)
Net Pension Liability	(319,507)
Deferred inflows of resources related to pensions	(70,944)
Net position of governmental activities	<u>\$ 2,048,898</u>

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

Pinnacle Classical Academy
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2016

	Major Funds			Capital Projects Fund	Total Governmental Funds
	General	State Public School	Federal Grants Fund		
REVENUES					
State of North Carolina	\$ 3	\$ 2,556,909	\$ -	\$ -	\$ 2,556,912
Cleveland County	636,029	-	-	-	636,029
Gaston County	23,587	-	-	-	23,587
Lincoln County	451	-	-	-	451
Rutherford County	2,610	-	-	-	2,610
Fines & Forfeitures	14	-	-	-	14
U.S. Government	-	-	52,094	-	52,094
Contributions and donations	9,831	-	-	-	9,831
Grants	-	-	-	-	-
Other	160,096	-	-	-	160,096
Total revenues	832,621	2,556,909	52,094	-	3,441,624
EXPENDITURES					
Current:					
Instructional services:	168,348	2,110,381	52,094	-	2,330,823
System-wide support services	61,059	363,936	-	-	424,995
Capital outlay:	183,604	31,019	-	1,543,787	1,758,410
Debt service:					
Principal	12,220	33,546	-	-	45,766
Interest and other charges	-	18,942	-	-	18,942
Total expenditures	425,231	2,557,824	52,094	1,543,787	4,578,936
Excess (deficiency) of revenues over expenditures	407,390	(915)	-	(1,543,787)	(1,137,312)
OTHER FINANCING SOURCES (USES)					
Transfers (out) in	(532,852)	915	-	531,937	-
Loan proceeds	-	-	-	1,000,000	1,000,000
Total other financing sources (uses)	(532,852)	915	-	1,531,937	1,000,000
Net change in fund balance	(125,462)	-	-	(11,850)	(137,312)
Fund balances-beginning	509,940	-	-	11,850	521,790
Fund balances-ending	\$ 384,478	\$ -	\$ -	\$ -	\$ 384,478

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

**Pinnacle Classical Academy
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2016**

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

Net changes in fund balances - total governmental funds	\$ (137,312)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period	1,706,929
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Amount of donated assets	-
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	200,363
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(954,234)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Pension Expense	(214,294)
Rounding	1
	1
Total changes in net position of governmental activities	\$ 601,453

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

Pinnacle Classical Academy, North Carolina

Notes to the Financial Statements

June 30, 2016

I. Summary of Significant Accounting Policies

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

A. Reporting Entity

Pinnacle Classical Academy is a public school operated by a local non-profit corporation, serving approximately 468 students. The School operates under an approved charter received from the SBE, and applied for under the provisions of General Statute (G.S.) 115C-238.29B. G.S. 115C-238.29F(f)(1) states that a charter school shall be subject to the audit requirements adopted by the SBE, which includes the audit requirements established by G.S. 115C-447 of the School Budget and Fiscal Control Act (SBFCA). G.S. 115C-447 also requires financial statements to be prepared in accordance with GAAP.

B. Basis of Presentation

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

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

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

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party

receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The School reports the following major governmental funds:

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

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

Federal Grants Fund. The Federal Grants Fund includes grants from the federal government passed through the Department of Public Instruction for specifically identified programs.

The School has no enterprise fund.

C. Measurement Focus and Basis of Accounting

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

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

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

D. Budgetary Data

An annual budget is adopted on a unit-wide level rather than by individual funds. All budgets are prepared using the modified accrual basis of accounting.

The governing board has voluntarily established the policy, as a sound business practice, that expenditures may not exceed appropriations, for all of the School's funds, based on the adopted budget and subsequent

amendments. During the year, several amendments to the original budget were necessary, the effects of which were not material. The budget presented in these financial statements represents the budget of the School at June 30, 2016. All appropriations lapse at year end.

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

1. Deposits and Investments

All deposits of the School are made in a local bank, whose accounts are FDIC insured. Also, the School has established time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit. The School does not have a custodial risk policy.

2. Cash and Cash Equivalents

The School pools money from several funds to facilitate disbursement and investment and to maximize investment income. All cash and investments with original maturities of three months or less are considered cash and cash equivalents. The School does not have a deposit policy for custodial credit risk.

3. Prepaid Items

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

4. Capital Assets

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

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

Capital assets are depreciated over the following estimated useful lives:

	<u>Years</u>
Leasehold Improvements	30
Furniture and Office Equipment	10
Electronic equipment	5
Equipment	5

5. Deferred outflows/inflows of resources

In addition to assets the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The School has one item that meets this criterion-contributions made to the pension plan in the current fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The School has one item that meets the criterion for this category-pension related deferrals.

6. Long-term obligations

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

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

7. Compensated Absences

The policy of the School provides for eight days of personal leave for full-time employees. Employees may not carryover any days not used during the year and unused days are not paid out.

8. Net Position/Fund Balances

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

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

The governmental fund types classify fund balances as follows:

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

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

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

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

removal of the specific purpose requires majority action by the governing bodies that approved the original action.

Assigned Fund Balance-portion of fund balance that Pinnacle Classical Academy intends to use for specific purposes.

Subsequent year's expenditures - portion of total fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation; however the budget ordinance authorizes the School Director to modify the appropriations by resource or appropriation within funds up to \$2,500.

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

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

9. The governmental fund balance sheet includes a reconciliation between governmental fund's total fund balance and governmental activities' net position as reported in the government-wide statement of net position. The net adjustment of \$1,664,420 consists of several elements as follows:

<u>DESCRIPTION</u>	<u>AMOUNT</u>
Capital assets used in governmental activities are not financial resources are therefore not reported in the funds (total capital assets on government-wide statement in governmental activities column).	\$2,699,542
Less accumulated depreciation	(79,602)
Pension related deferred outflows of resources	
Contributions made to the pension plan in current fiscal year	119,669
Changes in proportion	304,039
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not reported in the fund statements:	
Bonds, leases, and installment financing	(988,777)
Compensated absences	-
Accrued interest payable	-
Net Pension Liability	(319,507)
Deferred inflows of resources related to pensions	
Differences between expected and actual experience	(36,328)
Differences between projected and actual earnings on plan investments	(34,616)
Total adjustment	<u>\$1,664,420</u>

F. Revenues, Expenditures, and Expenses

1. Funding

Pinnacle Classical Academy is funded by the State Board of Education, receiving (i) an amount equal to the average per pupil allocation for the average daily membership (ADM) from the local school administrative unit allotments in which the school is located (i.e. Mecklenburg County Board of Education) for each child attending the School except for the allocation for children with special needs and (ii) an additional amount for each child attending the School who is a child with special needs [G.S. 115C-238.29H(a)]. Additionally, the appropriate local school administrative unit(s) transfers to the School, for each student who resides in the local administrative unit and attends the charter school, an amount equal to the per pupil local current expense appropriation to the respective local school administrative unit for the fiscal year. [G.S. 115C-238.29H(b)]. For the fiscal year ended June 30, 2016, the Pinnacle Classical Academy received funding from the Board of Education for Cleveland County, Gaston County, Lincoln County, and Rutherford County.

Furthermore, Pinnacle Classical Academy has received donations of cash and/or equipment from private organizations. The cash has been used for the purchase of new equipment for the School’s facilities.

2. Reconciliation between government-wide and fund statements

The governmental fund statement of revenues, expenditures, and changes in fund balance is followed by a reconciliation between the change in governmental funds’ fund balance and the change in governmental activities’ net position as reported on the government-wide statement of activities. The net difference of \$738,765 between the two amounts consists of the following elements:

<u>DESCRIPTION</u>	<u>AMOUNT</u>
Capital outlay expenditures recorded in the fund statements but capitalized as assets on the statement of activities.	\$1,758,410
Depreciation expense that is recorded on the statement of activities but not in the fund statements.	(51,481)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	200,363
New debt issued during the year is recorded as a source of funds on the fund statements but has not effect on the statement of activities, only the statement of net position.	(1,000,000)
Principal payments on debt owed are recorded as a use of funds on the fund statements but again affect only the statement of net position in the government-wide statements.	45,766
Expenses reported on the statement of activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements.	
Pension Expense	(214,294)
Rounding	1
Total	\$738,765

II. Stewardship, Compliance, and Accountability

A. Violation of State General Statutes

None.

III. Detail Notes on All Funds

A. Assets

1. Deposits

At June 30, 2016, the School had deposits with banks and savings and loans with a carrying amount of \$575,015. The bank balance with the financial institutions was \$633,143 of which \$251,902 was covered by federal depository insurance. The School had \$200 petty cash on hand at June 30, 2016.

2. Capital Assets

Capital asset activity for the year ended June 30, 2016, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land, Construction in Progress	\$ 660,983	\$ 703,043	\$ 106,877	\$ 1,257,149
Capital assets being depreciated:				
Buildings	-	1,055,367	-	1,055,367
Leasehold Improvements	76,698	-	-	76,698
Modulars	146,995	106,877	-	253,872
Electronic equipment	56,456	-	-	56,456
Total capital assets being depreciated	280,149	106,877	-	1,442,393
Less accumulated depreciation for:				
Buildings	-	17,589	-	17,589
Leasehold Improvements	3,835	2,558	-	6,393
Modulars	7,350	20,043	-	27,393
Electronic equipment	16,936	11,291	-	28,227
Total accumulated depreciation	28,121	\$ 51,481	\$ -	79,602
Total capital assets being depreciated, net	252,028			1,362,791
Governmental activity capital assets, net	\$ 913,011			\$ 2,619,940

Depreciation expense was charged to governmental functions as follows:

Instructional programs	\$11,291
Supporting services	40,190
	<u>\$51,481</u>

B. Liabilities

1. Pension Plan Obligations

a. Teachers' and State Employees Retirement Plan

Plan Description. The School is a participating employer in the statewide Teachers' and State Employees' Retirement System (TSERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. TSERS membership is comprised of employees of the State (state agencies and institutions), universities, community colleges, and certain proprietary component units along with the employees of Local Education Agencies and charter schools. Article 1 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the TSERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Teachers' and State Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for TSERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided. TSERS provides retirement and survivor benefits. Retirement benefits are determined as 1.82% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. General employee plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service (or 10 years of creditable service for members joining TSERS on or after August 1, 2011), at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. General employee plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (or 10 years of creditable service for members joining TSERS on or after August 1, 2011). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age or have completed five years of service and have reached age 60 (10 years for members joining on or after August 1, 2011). Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

TSERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer (or 10 years of creditable service for members joining TSERS on or after August 1, 2011), or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Contributions. Contribution provisions are established by General Statute 135-8 and may be amended only by the North Carolina General Assembly. School employees are required to contribute 6% of their

compensation. Employer contributions are actuarially determined and set annually by the TSERS Board of Trustees. The School's contractually required contribution rate for the year ended June 30, 2016, was 9.15% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the School were \$119,669 for the year ended June 30, 2016.

Refunds of Contributions – School employees who have terminated service as a contributing member of TSERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60 day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by TSERS.

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

At June 30, 2016, the School reported a liability of \$319,507 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015 utilizing update procedures incorporating the actuarial assumptions. The School's proportion of the net pension liability was based on a projection of the School's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating TSERS employers, actuarially determined. At June 30, 2015 and at June 30, 2014, the School's proportion was .0087% and .0064%.

For the year ended June 30, 2016, the School recognized pension expense of \$133,600. At June 30, 2016, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 36,328
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	34,616
Changes in proportion and differences between School contributions and proportionate share of contributions	304,039	-
School contributions subsequent to the measurement date	119,669	-
Total	<u>\$ 423,708</u>	<u>\$ 70,944</u>

\$119,669 reported as deferred outflows of resources related to pensions resulting from School contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2017.

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

Year ended June 30:

2017	\$	60,763
2018		60,763
2019		45,302
2020		66,267
2021		-
Thereafter		-
	<u>\$</u>	<u>233,095</u>

Actuarial Assumptions. The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	4.25 to 9.10 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections 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 as of June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	2.2%
Global Equity	42.0%	5.8%
Real Estate	8.0%	5.2%
Alternatives	8.0%	9.8%
Credit	7.0%	6.8%
Inflation Protection	6.0%	3.4%
Total	<u>100%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2014 asset liability and investment policy study for the North Carolina Retirement Systems, including TSERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.19%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the 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 County's proportionate share of the net pension asset 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 7.25 percent, as well as what the School's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	<u>1% Decrease (6.25%)</u>	<u>Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
School's proportionate share of the net pension liability (asset)	\$ 961,627	\$ 319,507	\$ (225,406)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

b. Postemployment Benefits

1. Healthcare Benefits

Plan Description. The postemployment healthcare benefits are provided through a cost-sharing multiple-employer defined benefit plan administered by the Executive Administrator and the Board of Trustees of the Comprehensive Major Medical Plan (the Plan). The Executive Administrator and the Board of Trustees of the Plan establishes premium rates except as may be established by the General Assembly in an appropriation act. The Plan's benefit and contribution provisions are established by Chapter 135-7, Article 1, and Chapter 135, Article 3 of the General Statutes and may be amended only by the North Carolina General Assembly. By General Statute, the Plan accumulates contributions from employers and any earnings on those contributions in the Retiree Health Benefit Fund. These assets shall be used to provide health benefits to retired and disabled employees and their applicable beneficiaries. These contributions are irrevocable. Also by law, these assets are not subject to the claims of creditors of the employers making contributions to the Plan.

The State of North Carolina issues a publicly available financial report that includes financial statements and required supplementary information for the State's Comprehensive Major Medical Plan (also referred to as the State Health Plan). An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page <http://www.ncosc.net/> and clicking on "Financial Reports", or by calling the State Controller's Financial Reporting Section at (919) 981-5454.

Funding Policy. The Comprehensive Major Medical Plan is administered by the Executive Administrator and Board of Trustees of the Plan, which establishes premium rates except as, may be established by the General Assembly in an appropriation act. The healthcare benefits for retired and disabled employees are the same as for active employees, except that the coverage becomes secondary when former employees become eligible for Medicare. For employees first hired on and after October 1, 2006, future coverage as retired employees is subject to the requirement that the future retiree have 20 or more years of retirement service credit in order to receive coverage on a noncontributory basis. Employees first hired on and after October 1, 2006 with 10 but less than 20 years of retirement service credit are eligible for coverage on a partially contributory basis. For such future retirees, the State will pay 50% of the State Health Plan's total noncontributory premium. For employees hired before October 1, 2006, healthcare benefits are provided to retirees (at no charge to the retirees) who have at least five years of contributing retirement membership prior to disability or retirement. In addition, persons who became surviving spouses of retirees prior to October 1, 1986, receive the same coverage as retirees at the State's expense.

Contributions are determined as a percentage of covered monthly payroll. Annually, the monthly contribution rates to the Plan, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis, are determined by the General Assembly in the Appropriations Bill. For the fiscal years ended June 30, 2016, 2015, and 2014, the School Board paid all annual required contributions to the Plan for postemployment healthcare benefits of \$73,240, \$55,593, and \$41,466, respectively. These contributions represented 5.60%, 5.49%, and 5.40% of covered payroll, respectively.

2. Long-term Disability Benefits

Plan Description. Short-term and long-term disability benefits are provided through the Disability Income Plan of North Carolina (DIPNC), a cost-sharing, multiple-employer defined benefit plan. The DIPNC is administered by the Board of Trustees of the Teachers' and State Employees' Retirement System. Long-term disability benefits are payable as an other postemployment benefit from DIPNC after the conclusion of the short-term disability period or after salary continuation payments cease, whichever is later, for as long as an employee is disabled. Benefit and contribution provisions are established by Chapter 135, Article 6, of the General Statutes and may be amended only by the North Carolina General Assembly. The Plan accumulates contributions from employers and any earnings on those contributions in the Disability Income Plan Trust Fund. The plan does not provide for automatic post-retirement benefit increases.

The State of North Carolina issues a publicly available financial report that includes financial statements and required supplementary information for the DIPNC. An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page <http://www.ncosc.net/> and clicking on "Financial Reports", or by calling the State Controller's Financial Reporting Section at (919) 981-5454.

Funding Policy. An employee is eligible to receive long-term disability benefits provided the following requirements are met: (1) the employee has five or more years of contributing membership service in the Teachers' and State Employees' Retirement System of North Carolina, earned within 96 months prior to the end of the short-term disability period or cessation of salary continuation payments, whichever is later; (2) the employee must make application to receive long-term benefits within 180 days after the conclusion of the short-term disability period or after salary continuation payments cease or after monthly payments for Workers' Compensation cease (excluding monthly payments for permanent partial benefits), whichever is later; (3) the employee must be certified by the Medical Board to be mentally or physically disabled for the further performance of his/her usual occupation; (4) the disability must have been continuous, likely to be permanent, and incurred at the time of active employment; (5) the employee must not be eligible to receive an unreduced retirement benefit from the Retirement System; and (6) the employee must terminate employment as a permanent, full-time employee. An employee is eligible to receive an unreduced retirement benefit from the Retirement System after (1) reaching the age of 65 and completing five years of creditable service, or (2) reaching the age of 60 and completing 25 years of creditable service, or (3) completing 30 years of creditable service, at any age.

The monthly long-term disability benefit is equal to 65% of one-twelfth of an employee's annual base rate of compensation last payable to the participant or beneficiary prior to the beginning of the short-term disability period, plus the like percentage of one twelfth of the annual longevity payment to which the participant or beneficiary would be eligible. The monthly benefits are subject to a maximum of \$3,900 per month reduced by any primary Social Security disability benefits and by monthly payments for Workers' Compensation to which the participant or beneficiary may be entitled. The monthly benefit shall be further reduced by the amount of any monthly payments from the Department of Veterans Affairs, any other federal agency or any payments made under the provisions of G.S.127A-108, to which the participant or beneficiary may be entitled on account of the same disability. Provided in any event, the benefits payable shall be no less than \$10 a month. When an employee qualifies for an unreduced service retirement allowance from the Retirement System, the benefits payable from DIPNC will cease, and the employee will commence retirement under the TSERS. For members who obtain five years of membership service on or after August 1, 2007, the monthly long-term disability benefit is reduced by the primary Social Security retirement benefit to which one might be entitled should one become age 62 during the first 36 months. After 36 months of long-term disability, there will be no further payments from the DIPNC unless the member is approved for and is in receipt of primary Social Security disability benefits. It is payable so long as the member remains disabled and is in receipt of a primary Social Security disability benefit until eligible for an unreduced service retirement benefit. When an employee qualifies for an unreduced service retirement

allowance from the Retirement System, the benefits payable from DIPNC will cease, and the employee will commence retirement under the TSERS.

The School's contributions are established in the Appropriations Bill by the General Assembly. Benefit and contribution provisions are established by Chapter 135, Article 6, of the General Statutes and may be amended only by the North Carolina General Assembly. The contributions cannot be separated between the amounts that relate to other postemployment benefits and employment benefits for active employees. Those individuals who are receiving extended short-term disability benefit payments cannot be separated from the number of members currently eligible to receive disability benefits as an other postemployment benefit. For the fiscal years ended June 30, 2016, 2015, and 2014, the Board paid all annual required contributions to the DIPNC for disability benefits of \$5,362, \$4,152, and \$3,379, respectively. These contributions represented 0.41%, 0.41%, and 0.44% of covered payroll, respectively.

2. Risk Management

The School is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School maintains general liability and errors and omissions insurance coverage of \$1 million per occurrence with a commercial carrier. The School does not have flood insurance.

The School also participates in the Teachers' and State Employees' Comprehensive Major Medical Plan, a self-funded risk financing pool of the State administered by Blue Cross and Blue Shield of North Carolina. Through the Plan, permanent full-time employees of the School are eligible to receive health care benefits up to a \$2 million lifetime limit. In addition, employees have the option of receiving health care benefits through one of the available health maintenance organizations (HMOs). The School pays the full cost of coverage for employees enrolled in the Comprehensive Major Medical Plan and makes an equal contribution for employees enrolled in one of the available HMO plans. [G.S.115C-238.29F(e)(4)].

The School carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage, and claims have not exceeded coverage.

3. Claims and Judgments

At June 30, 2016, the School was not involved in any legal proceedings.

4. Note Payable

Changes in Note Payable

The School obtained a loan to purchase modular units from Alliance Bank & Trust. The loan is payable \$2,938.38 monthly including interest at 3.75% that began July 10, 2014.

During the current year the School obtained a loan for \$935,000 to purchase the existing site the School operates from. The loan is payable \$5,828.11 per month including interest at 4.25%. Payments began February 10, 2015. At December 30, 2020 the interest rate may change.

During the current year, the School obtained a construction loan for \$13,000,000 from local banks. The payments will be interest only until January 15, 2018 when the facility is expected to be completed and the Certificate of Occupancy is issued. The School has a commitment from the USDA for permanent financing and that will be used to pay off the construction loan at that time.

The following is a summary of changes in the School's notes payable for the year ended June 30, 2016:

Governmental activities:	Balance			Balance	Current
	July 1, 2015	Increases	Decreases		
Note Payable-Alliance	\$ -	\$ 935,000	\$ 11,223	\$ 923,777	\$ 31,281
Construction Loan	-	65,000	-	65,000	-
Note payable-CF	34,544	-	34,544	-	-
Total	\$ 34,544	\$ 1,000,000	\$ 45,767	\$ 988,777	\$ 31,281

The future debt payments are as follows:

	Principal	Interest	Total
June 30:			
2017	\$ 31,281	\$ 41,094	\$ 72,375
2018	97,637	39,738	137,375
2019	34,052	35,886	69,938
2020	35,527	34,410	69,937
2021	37,067	32,870	69,937
2022-2026	210,868	138,817	349,685
2027-2031	260,698	88,990	349,688
2032-2036	281,647	27,809	309,456
	\$ 988,777	\$ 439,614	\$ 1,428,391

C. Fund Balance

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

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

<i>Total fund balance</i>	\$ 384,478
Less:	
Prepaid Items	7,393
Restricted for Capital Project	-
Appropriated Fund Balance in 2017 Budget	-
Remaining Fund Balance	\$ 377,085

VI. Related Party Transactions

The brother of the Vice-Chair owns a construction company that completed the set-up for the modular units. Total payments to the company were \$58,441 for the year.

The School also paid \$5,581 to a company owned by the board chair for printing services. The company also is a donor to the school and does printing at cost for the School.

VII. Commitments/Construction In Progress

The Construction in Progress at June 30, 2016 is for the costs of the new facility being constructed. The School has entered into a contract for \$10,013,000 for the construction of the new facility. As of June 30, 2016 the School had paid \$524,870 for construction costs.

The USDA has issued a commitment to the School for a permanent financing loan on the new facility for \$13,000,000. This money will be disbursed upon receipt of the Certificate of Occupancy and will pay off the construction loan noted above. The terms will be annual payments over forty years of \$608,790, including interest at 3.5% fixed. The loan will be secured by the real estate.

VIII. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

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

Required Supplemental Financial Data

- **Schedule of Proportionate Share of Net Pension Liability for Teachers' and State Employees' Retirement System**
- **Schedule of School Contributions to Teachers' and State Employees' Retirement System**

Pinnacle Classical Academy
Schedules of Required Supplementary Information
SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Teachers' and State Employees' Retirement System
Last Three Fiscal Years*

	<u>2016</u>	<u>2015</u>	<u>2014</u>
School's proportion of the net pension liability (asset)	0.0087%	0.0064%	0.0000%
School's proportion of the net pension liability (asset)	\$ 319,507	\$ 75,504	\$ -
School's covered-employee payroll	\$ 1,307,853	\$ 1,012,623	\$ 767,897
School's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	24.43%	7.46%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	94.64%	98.24%	90.60%

* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

Pinnacle Classical Academy
Schedule of School Contributions
Teachers' and State Employees' Retirement System
Last Three Fiscal Years

	2016	2015	2014
Contractually required contribution	\$ 119,669	\$ 92,655	\$ 66,730
Contributions in relation to the contractually required contribution	119,669	92,655	66,730
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's covered-employee payroll	\$ 1,307,853	\$ 1,012,623	\$ 767,897
Contributions as a percentage of covered-employee payroll	9.15%	9.15%	8.69%

Pinnacle Classical Academy, North Carolina
All Fund Types
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2016

	2016		
	Final Budget	Actual	Favorable (Unfavorable) Variance
Revenues:			
State of North Carolina	\$ 2,567,745	\$ 2,556,912	\$ (10,833)
Board(s) of Education:			
Cleveland County	628,117	636,029	7,912
Gaston County	23,587	23,587	-
Lincoln County	451	451	-
Rutherford County	2,610	2,610	-
Fines and Forfeitures	14	14	-
U.S. Government	62,946	52,094	(10,852)
Donations	9,831	9,831	-
Grants	-	-	-
Others	160,096	160,096	-
Total	<u>3,455,397</u>	<u>3,441,624</u>	<u>(13,773)</u>
Expenditures:			
Current:			
Instructional services:			
Regular curricular services	1,874,510	1,809,550	(64,960)
Special populations services	164,559	170,477	5,918
Alternative programs and services	-	-	-
School leadership services	304,530	329,966	25,436
Co-curricular services	739	1,803	1,064
School-based support services	19,027	19,027	-
Total instructional programs	<u>2,363,365</u>	<u>2,330,823</u>	<u>32,542</u>
System-wide support services:			
Support and development services	-	-	-
Special population support and development services	-	-	-
Technology support services	46,115	46,115	-
Operational support services	417,226	204,461	212,765
Financial and human resource services	90,103	83,795	6,308
Policy, leadership and public relations services	91,275	90,624	651
Total support services	<u>644,719</u>	<u>424,995</u>	<u>219,724</u>

(continued)

(continued)

Pinnacle Classical Academy, North Carolina
All Fund Types
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2016

	2016		Favorable (Unfavorable) Variance
	Final Budget	Actual	
Capital outlay	1,536,828	1,758,410	(221,582)
Debt service:			
Principal	45,767	45,766	-
Interest and other charges	18,942	18,942	-
Total debt service	64,709	64,708	-
 Total expenditures	 4,609,621	 4,578,936	 30,685
Other financing sources (uses):			
Loan Proceeds	1,000,000	1,000,000	-
Transfer in		532,852	
Transfer out	-	(532,852)	(532,852)
Total other financing sources and (uses)	1,000,000	1,000,000	-
 Excess of revenue over expenditures	 \$ (154,224)	 \$ (137,312)	 \$ 16,912

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

To the Board of Directors
Pinnacle Classical Academy
Shelby, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities and each major fund, of Pinnacle Classical Academy, Shelby, North Carolina, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Pinnacle Classical Academy, Shelby, North Carolina's basic financial statements and have issued our report thereon dated November 12, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Pinnacle Classical Academy, Shelby, North Carolina'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 Pinnacle Classical Academy, Shelby, North Carolina's internal control. Accordingly, we do not express an opinion on the effectiveness of Pinnacle Classical Academy, Shelby, North Carolina'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.

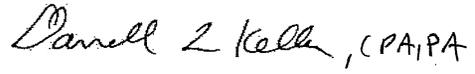
Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations,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

Compliance and Other Matters

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

Purpose of this Report

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

Darrell L. Keller, CPA, PA

Darrell L. Keller, CPA, PA
Kings Mountain, North Carolina
November 12, 2016

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
AND THE STATE SINGLE AUDIT IMPLEMENTATION ACT**

To the Board of Directors
Pinnacle Classical Academy
Shelby, North Carolina

Report on Compliance for Each Major State Program

We have audited Pinnacle Classical Academy, Shelby, North Carolina's compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of Pinnacle Classical Academy, Shelby, North Carolina's major state programs for the year ended June 30, 2016. Pinnacle Classical Academy, Shelby, North Carolina's major state 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 the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of Pinnacle Classical Academy, Shelby, North Carolina's compliance.

Opinion on Each Major State Program

In our opinion, Pinnacle Classical Academy, Shelby, North Carolina, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

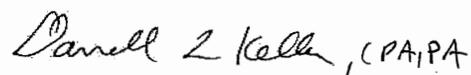
Management of Pinnacle Classical Academy, Shelby, North Carolina, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Pinnacle Classical Academy, Shelby, North Carolina's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with 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 Pinnacle Classical Academy, Shelby, North Carolina's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be 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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Darrell L. Keller, CPA, PA
Kings Mountain, North Carolina
November 12, 2016

PINNACLE CLASSICAL ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Internal control over financial reporting:

- | | | |
|--|------------------------------|---|
| * Material weaknesses(es) identified? | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |
| * Significant Deficiency(s) identified that are not considered to be material weaknesses | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> None Reported |
| Noncompliance material to financial statements notes | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |

Federal Awards

There were no major federal programs.

State Awards

Internal control over major State programs:

- | | | |
|--|------------------------------|---|
| * Material weakness(es) identified? | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |
| * Significant deficiency(s) identified that are not considered to be material weaknesses | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> None Reported |

Type of auditor's report issued on compliance for major State programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
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Identification of major State programs:

Program Name

State Public School Fund

PINNACLE CLASSICAL ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

Section II – Financial Statement Findings

None reported.

Section III – Federal Award Findings and Questioned Costs

None reported

Section IV-State Award Findings and Questioned Costs

None reported

PINNACLE CLASSICAL ACADEMY
SUMMARY SCHEDULE OF PRIOR AUDITING FINDINGS
YEARS ENDED JUNE 30

Finding: None

Status: N/A

PINNACLE CLASSICAL ACADEMY
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 FOR THE YEAR ENDED JUNE 30, 2016

	Federal CFDA Number	State Pass-through Grantor's Number	Expenditures
Federal Grants			
Cash Assistance:			
<u>U.S. Department of Education</u>			
<u> Office of Elementary and Secondary Education</u>			
Passed-through the N.C. Department of			
Public Instruction:			
Special Education Cluster:			
Education of the handicapped	84.027	PRC 060	\$ 52,094
Total Federal Assistance			\$ 52,094
State Grants:			
Cash Assistance:			
<u>N.C. Department of Public Instruction:</u>			
State Public School Fund (Charter Schools)			\$ 2,556,909
Total State Assistance			\$ 2,556,909
 TOTAL FEDERAL AND STATE ASSISTANCE			 \$ 2,609,003

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

1. Basis of Presentation
 The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of Pinnacle Classical Academy under the programs of the federal government and the State of North Carolina for the year ended June 30, 2016. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the Operations of Pinnacle Classical Academy, it is not intended to and does not present the financial position, changes in net position, or cash flows of Pinnacle Classical Academy.

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