

COLLEGIATE ACADEMY OF COLORADO

BASIC FINANCIAL STATEMENTS

June 30, 2014

TABLE OF CONTENTS

PAGE

INTRODUCTORY SECTION

Title Page

Table of Contents

FINANCIAL SECTION

Independent Auditors' Report

Management Discussion and Analysis

i - vi

Basic Financial Statements

Statement of Net Position

1

Statement of Activities

2

Balance Sheet – Governmental Funds

3

Statement of Revenues, Expenditures and Changes in Fund Balances –
Governmental Funds

4

Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of
Activities

5

Notes to the Financial Statements

6 – 17

Required Supplementary Information

Budgetary Comparison Schedule – General Fund

18

FINANCIAL SECTION



JOHN CUTLER
& ASSOCIATES

Board of Directors
Collegiate Academy of Colorado
Littleton, Colorado

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements the governmental activities and each major fund of Collegiate Academy of Colorado, component unit of Jefferson County School District No. R-1, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the 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. 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 Collegiate Academy of Colorado, as of June 30, 2014, 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 and the required budgetary information on page 18 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.

John Luttler & Associates, LLC

November 17, 2014

Management's Discussion and Analysis

As management of Collegiate Academy of Colorado (Collegiate or School), we offer readers of Collegiate's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2014.

Financial Highlights

At the close of its 19th year of operation, the net position of Collegiate was (\$1,528,366) which was a decrease primarily in liabilities from 2013 of (\$199,626). At the close of the fiscal year Collegiate's governmental funds reported a combined ending fund balance of (\$119,797) for General Fund and \$722,521 for the Building Foundation, a total decrease of (\$157,599) from the prior year.

Overview of Financial Statements

This discussion and analysis are intended to serve as an introduction to Collegiate's basic financial statements. Collegiate's basic financial statements are comprised of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements.

Government-wide Financial Statements

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

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

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

The government-wide financial statement of activities distinguish functions/programs of Collegiate supported primarily by per pupil revenue (PPR) or property, income, and sales taxes passed through from the District received from the County and State. The governmental activities of Collegiate include instruction and supporting expenses.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Collegiate, like other charter schools, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Collegiate are governmental funds.

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

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

Collegiate maintains two individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the General Fund and the Building Corporation which are considered to be major.

Collegiate adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the budget. In addition to the general fund, annual appropriations were made for the grants fund and building corporation.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. This information is provided in pages 6-17.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Collegiate, net position was (\$1,528,366) at the close of the most recent fiscal year.

Collegiate Academy's Net Position

	Governmental Activities	Governmental Activities
	<u>30-Jun-14</u>	<u>30-Jun-13</u>
Cash and Investments	1,000	32,630
Restricted Cash and Investments	802,366	856,794
Other Assets	185,647	196,567
Capital Assets, No Depreciated	964,930	650,000
Capital Assets, Depreciated	<u>3,096,246</u>	<u>3,271,898</u>
Total Assets	<u>5,050,189</u>	<u>5,007,889</u>
Account Payable	3,542	9,599
Unearned Revenues	1,910	500
Accrued Salaries/Benefits	119,694	119,002
Accrued Interest	13,733	13,772
Due to the District	75,496	-
Noncurrent Liabilities	<u>6,364,180</u>	<u>6,635,308</u>
Total Liabilities	6,578,555	6,778,181
Net Position		
Net Invested in Capital Assets,	(2,117,357)	(2,516,843)
Restricted for Emergencies –Tabor	79,845	99,243
Unrestricted for Emergencies	<u>509,146</u>	<u>647,308</u>
Total Net Position	<u>\$(1,528,366)</u>	<u>\$(1,770,292)</u>

**Collegiate Academy's Change in Net Position
For the Years Ended June 30, 2014 and June 30, 2013**

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Program Revenue:		
Charges for Services	\$ 75,184	\$ 82,102
Operating Grants and Contributions	102,776	126,647
Capital Grants and Contributions	<u>35,493</u>	<u>41,424</u>
Total Program Revenue	<u>213,453</u>	<u>250,173</u>
General Revenue:		
Per Pupil Operating Revenue	2,979,116	3,541,002
Mill Levy Override	92,175	45,831
Investment Earnings	96	96
Other	72,606	68,403
Capital Transfer from the District	<u>314,930</u>	<u>0</u>
Total General Revenue	<u>3,458,923</u>	<u>3,655,332</u>
Expenses:		
Current:		
Instruction	1,414,081	1,742,858
Supporting Services	1,681,079	1,717,836
Interest and Fiscal Charges	<u>335,290</u>	<u>345,205</u>
Total Expenses	<u>3,430,450</u>	<u>3,805,899</u>
Increase (Decrease) in Net Position	241,926	99,606
Beginning Net Position, June 30	<u>(1,770,292)</u>	<u>(1,748,041)</u>
Prior Period Adjustment	-	(121,857)
Ending Net Position, June 30	<u>(1,528,366)</u>	<u>(1,770,292)</u>

Financial Analysis of the Government's Funds

As noted earlier, Collegiate uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

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

As of the end of the current fiscal year, June 30, 2014, the School's governmental funds reported a combined ending fund balance of \$602,724, a decrease of (\$157,599).

General Fund Budgetary Highlights

The School approves a budget in June based on enrollment projections for the following school year. After enrollment is finalized during October Count Window, adjustments are made to the budget. Based on enrollment, the School's revised budget projected a shortfall of approximately \$255,000.00 at the end of FY14.

The School approached the Jefferson County Board of Education on December 10, 2013 requesting a \$400,000 line of credit to be repaid over a period of five years. After reviewing the school's strategic plan, marketing plan and financial plan, the Board of Education approved a loan not to exceed \$400,000 on January 16, 2014. The line of credit is to be repaid in full by June 30, 2018.

Management made a concerted effort to meet revenue expectations in FY14, with unpaid school fees and Kindergarten tuition accounting for the shortfall in revenues of approximately \$10,000. Revenue projections were exceeded in categories such as donations and rental proceeds. Management also took a hard line on spending to reduce the budget deficit. Salary and benefits, purchased services, and materials and supplies were all held below budget. Consequently, the School substantially reduced the projected deficit of \$255,000 and ended the fiscal year borrowing approximately \$75,000 from the approved \$400,000 district line of credit to meet the statutory TABOR reserve requirement. Management continues to implement measures to eliminate the negative fund balance in the coming year.

Enrollment for FY 13/14 based on the official October Count was 371.5 student FTEs. Projections for the coming year is anticipated to be remain stable with an anticipated slight increase in student FTEs.

Capital Asset and Debt Administration

Capital Assets. Collegiate Academy's investment in capital assets increased \$139,278 during the year due to building improvement despite depreciation resulting in year-end net capital assets of \$4,061,176.

Long-Term Debt

Collegiate Academy is in a long term lease agreement with Collegiate Building Corporation ending in 2031. This year's lease payment was \$265,000 principal and \$330,537 interest.

Economic Factors and Next Year's Budget

During FY14, several changes occurred which place Collegiate in a substantially more stable financial position moving into the FY15. The state legislature approved a substantial increase in charter school capital construction funding for the 2015 fiscal year, which relieves some financial pressure associated with facility costs. Furthermore, the state legislature approved a budget increasing the per pupil funding allotment for FY15. Finally, the Jefferson County School District approved measures to make the distribution of voter-approved Mill Levy funds more equitable for charter schools, which were only receiving a small percentage of the funding. These three financial changes provide the opportunity for the School to establish itself on firm fiscal footing. Moving into FY15, the School has focused its efforts on building enrollment in the lower grades, particularly in Kindergarten, and emphasizing student retention. This focus will pay dividends in the long term.

Requests for Information

This financial report is designed to provide a general overview of Collegiate's finances for all those with an interest in the School's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Collegiate Academy, Attn: Business Manager, 8420 S. Sangre de Cristo Rd, Littleton, CO 80127.

BASIC FINANCIAL STATEMENTS

COLLEGIATE ACADEMY OF COLORADO

STATEMENT OF NET POSITION

As of June 30, 2014

	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2013</u>
ASSETS		
Cash and Investments	\$ 1,000	\$ 32,630
Restricted Cash and Investments	802,366	856,794
Capital Assets, Not Depreciated	964,930	650,000
Capital Assets, Depreciated, Net of Accumulated Depreciation	<u>3,096,246</u>	<u>3,271,898</u>
TOTAL ASSETS	<u>4,864,542</u>	<u>4,811,322</u>
DEFERRED OUTFLOWS		
Deferred Costs	<u>185,647</u>	<u>196,567</u>
LIABILITIES		
Accounts Payable	3,542	9,599
Accrued Salaries and Benefits	119,694	119,002
Accrued Interest	13,733	13,772
Due to the District	75,496	-
Unearned Revenues	1,910	500
Noncurrent Liabilities		
Due in One Year	240,000	230,000
Due in More Than One Year	<u>6,124,180</u>	<u>6,405,308</u>
TOTAL LIABILITIES	<u>6,578,555</u>	<u>6,778,181</u>
NET POSITION		
Net Investment in Capital Assets	(2,117,357)	(2,516,843)
Restricted for Emergencies	79,845	99,243
Unrestricted	<u>509,146</u>	<u>647,308</u>
TOTAL NET POSITION	<u>\$ (1,528,366)</u>	<u>\$ (1,770,292)</u>

The accompanying notes are an integral part of the financial statements.

COLLEGIATE ACADEMY OF COLORADO

STATEMENT OF ACTIVITIES

Year Ended June 30, 2014

FUNCTIONS/PROGRAMS	Expenses	PROGRAM REVENUES			Net (Expense) Revenues and Change in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	2014	2013
PRIMARY GOVERNMENT						
Governmental Activities						
Instruction	\$ 1,414,081	\$ 75,184	\$ 59,409	\$ -	\$ (1,279,488)	\$ (1,574,882)
Supporting Services	1,681,079	-	43,367	35,493	(1,602,219)	(1,635,639)
Interest on Long-Term Debt	335,290	-	-	-	(335,290)	(345,205)
Total Governmental Activities	<u>\$ 3,430,450</u>	<u>\$ 75,184</u>	<u>\$ 102,776</u>	<u>\$ 35,493</u>	(3,216,997)	(3,555,726)
GENERAL REVENUES						
					2,979,116	3,541,002
					92,175	45,831
					96	96
					72,606	68,403
SPECIAL ITEM						
					314,930	-
TOTAL GENERAL REVENUES					<u>3,458,923</u>	<u>3,655,332</u>
CHANGE IN NET POSITION					241,926	99,606
NET POSITION, Beginning					(1,770,292)	(1,748,041)
PRIOR PERIOD ADJUSTMENT					-	(121,857)
NET POSITION, Ending					<u>\$ (1,528,366)</u>	<u>\$ (1,770,292)</u>

The accompanying notes are an integral part of the financial statements.

COLLEGIATE ACADEMY OF COLORADO

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014

	GENERAL FUND	BUILDING FOUNDATION	TOTALS	
			2014	2013
ASSETS				
Cash and Investments	\$ 1,000	\$ -	\$ 1,000	\$ 32,630
Restricted Cash and Investments	79,845	722,521	802,366	856,794
TOTAL ASSETS	\$ 80,845	\$ 722,521	\$ 803,366	\$ 889,424
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 3,542	\$ -	\$ 3,542	\$ 9,599
Accrued Salaries and Benefits	119,694	-	119,694	119,002
Due to the District	75,496	-	75,496	-
Unearned Revenues	1,910	-	1,910	500
TOTAL LIABILITIES	200,642	-	200,642	129,101
FUND BALANCES				
Restricted for Emergencies	79,845	-	79,845	99,243
Restricted for Debt Service		722,521	722,521	757,551
Unassigned	(199,642)	-	(199,642)	(96,471)
TOTAL FUND BALANCES	(119,797)	722,521	602,724	760,323
TOTAL LIABILITIES AND FUND BALANCES	\$ 80,845	\$ 722,521		

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

Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.

4,061,176 3,921,898

Long-term liabilities and related assets are not due and payable in the current period and, therefore, are not reported in the funds. This amount is comprised of the building lease (\$6,260,000), bond premium, net of amortization (\$104,180), deferred costs, net of amortization \$185,647, and accrued interest (\$13,733).

(6,192,266) (6,452,513)

Net position of governmental activities

\$ (1,528,366) \$ (1,770,292)

The accompanying notes are an integral part of the financial statements.

COLLEGIATE ACADEMY OF COLORADO

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2014

	GENERAL	BUILDING	TOTALS	
	FUND	FOUNDATION	2014	2013
REVENUES				
Local Sources	\$ 2,702,037	\$ 560,507	\$ 3,262,544	\$ 3,778,207
State Sources	94,902	-	94,902	127,298
TOTAL REVENUES	<u>2,796,939</u>	<u>560,507</u>	<u>3,357,446</u>	<u>3,905,505</u>
EXPENDITURES				
Current				
Instruction	1,414,081	-	1,414,081	1,742,858
Supporting Services	1,505,427	-	1,505,427	1,542,184
Debt Service				
Principal	-	265,000	265,000	215,000
Interest	-	330,537	330,537	341,288
TOTAL EXPENDITURES	<u>2,919,508</u>	<u>595,537</u>	<u>3,515,045</u>	<u>3,841,330</u>
NET CHANGE IN FUND BALANCES	(122,569)	(35,030)	(157,599)	64,175
FUND BALANCES, Beginning	<u>2,772</u>	<u>757,551</u>	<u>760,323</u>	<u>696,148</u>
FUND BALANCES, Ending	<u>\$ (119,797)</u>	<u>\$ 722,521</u>	<u>\$ 602,724</u>	<u>\$ 760,323</u>

The accompanying notes are an integral part of the financial statements.

COLLEGIATE ACADEMY OF COLORADO

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2014

Amounts Reported for Governmental Activities in the Statement of Activities
are Different Because:

Net Changes in Fund Balances - Total Governmental Funds	\$ (157,599)
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 \$314,930 exceeded depreciation expense (\$175,652) for the year.	139,278
Some expenses reported in the statement of activities do not require current financial resources and are not reported in the funds. These include lease payments of \$265,000, amortization of bond premium \$6,128, change in accrued interest (\$11), and amortization of deferred costs (\$10,870).	<u>260,247</u>
Change in Net Position of Governmental Activities	<u><u>\$ 241,926</u></u>

The accompanying notes are an integral part of the financial statements.

COLLEGIATE ACADEMY OF COLORADO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Collegiate Academy of Colorado (the “Academy”) was organized pursuant to the Colorado Charter Schools Act to form and operate a charter school within the Jefferson County School District No. R-1 of the State of Colorado.

The accounting policies of the Academy conform to generally accepted accounting principles as applicable to governmental units. Following is a summary of the more significant policies.

Reporting Entity

The financial reporting entity consists of the Academy and organizations for which the Academy is financially accountable. All funds, organizations, institutions, agencies, departments and offices that are not legally separate are part of the Academy. In addition, any legally separate organizations for which the Academy is financially accountable are considered part of the reporting entity. Financial accountability exists if the Academy appoints a voting majority of the organization’s governing board and is able to impose its will on the organization, or if the organization provides benefits to, or imposes financial burdens on the Academy.

The Academy includes the Collegiate Academy of Colorado Building Foundation (the “Building Foundation”) within its reporting entity. The Building Foundation was formed to support and assist the Academy to perform its function and to carry out its purpose, specifically to assist in the financing of the Academy’s facilities. The Building Foundation is blended into the Academy’s financial statements as a Debt Service Fund. Separate financial statements are not available for this entity. The Academy is a component unit of Jefferson County School District No. R-1.

Government-Wide and Fund Financial Statements

The Academy's financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the Academy. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by intergovernmental revenues, are reported in a single column.

The statement of activities demonstrates the degree to which the direct expenses of the given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to students or others who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Unrestricted intergovernmental revenues not properly included among program revenues are reported instead as general revenues.

COLLEGIATE ACADEMY OF COLORADO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements (Continued)

Major individual governmental funds are reported in separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period, not to exceed 60 days. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Intergovernmental revenues, grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Academy.

Internally dedicated resources are reported as general revenues rather than as program revenues.

When both restricted and unrestricted resources are available for use, it is the Academy's policy to use restricted resources first and the unrestricted resources as they are needed.

The Academy reports the following major governmental funds:

General Fund – This fund is the general operating fund of the Academy. It is used to account for all financial resources except those required to be accounted for in another fund.

Building Foundation – This fund is used to account for the debt service activities of the Academy.

COLLEGIATE ACADEMY OF COLORADO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Fund Balance/Net Position

Investments – Investments are recorded at fair value.

Capital Assets – Capital assets, which include property and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Academy as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Capital assets are depreciated using the straight-line method over the following estimated useful lives; buildings 30 years, equipment 7 years.

Deferred Outflows/Inflows of Resources - In addition to assets, the statement of financial position and balance sheets 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 and fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to the liabilities, the statement of financial position and balance sheets 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 and fund balance that applies to a futures period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Long-term Debt – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as current expenditures.

COLLEGIATE ACADEMY OF COLORADO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Fund Balance/Net Position

Net Position– The government-wide and business-type fund financial statements utilize a net position presentation. Net position is categorized as investment in capital assets, restricted, and unrestricted.

- Investment in Capital Assets is intended to reflect the portion of net position which are associated with non-liquid, capital assets less outstanding capital asset related debt. The net related debt is the debt less the outstanding liquid assets and any associated unamortized cost.
- Restricted Net Position are liquid assets, which have third party limitations on their use.
- Unrestricted Net Position represents assets that do not have any third party limitation on their use. While School management may have categorized and segmented portion for various purposes, the School Board has the unrestricted right to revisit or alter these managerial decisions.

Fund Balance Classification – The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Academy is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The Academy has classified Emergency Reserves as being restricted because their use is restricted by State Statute for declared emergencies. The Academy has also classified the Building Foundation fund balance as restricted as is required by the bond agreements.

COLLEGIATE ACADEMY OF COLORADO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Fund Balance/Net Position

- **Committed** – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The Academy did not have any committed resources as of June 30, 2014.
- **Unassigned** – This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The Academy would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned fund balance.

Compensated Absences

The Academy's policy allows employees to accumulate sick leave. Upon termination of employment, no financial compensation is paid for unused sick days. Therefore, no liability for accumulated sick leave is reported in the financial statements.

Risk Management

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The District carries commercial insurance for these risks of loss, and bills the Academy for its portion of coverage. Settled claims have not exceeded coverage in the last three years.

COLLEGIATE ACADEMY OF COLORADO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Comparative Data

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the Academy's financial position and operations. However, complete comparative data in accordance with generally accepted accounting principles has not been presented since its inclusion would make the financial statements unduly complex and difficult to read. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

A budget is adopted for the General Fund on a basis consistent with generally accepted accounting principles.

Academy management submits to the Board of Directors a proposed budget for the fiscal year commencing the following July 1. The budget is adopted by the Board of Directors prior to June 30. Expenditures may not legally exceed appropriations at the fund level. Revisions must be approved by the Board of Directors. The budget includes proposed expenditures and the means of financing them. All appropriations lapse at fiscal year end.

Accountability

At June 30, 2014, the Academy's governmental activities in the government-wide financial statements had deficit net position of \$1,528,366. This deficit net position balance is primarily related to non-capital building improvements that were financed by long term debt. Management expects this deficit to decrease as the long-term debt is paid.

The Academy also had a fund balance deficit in the General Fund of \$119,797. This deficit is expected to be reduced by increasing revenue and cutting expenditures in the coming years.

COLLEGIATE ACADEMY OF COLORADO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

NOTE 3: CASH AND INVESTMENTS

A reconciliation of the cash and investment components on the balance sheet to the cash and investments categories in this footnote are as follows:

Petty Cash	\$ 1,000
Pooled Cash with the District	79,845
Investments	<u>722,521</u>
Total Cash and Investments	<u>\$ 803,366</u>

Cash and Investments are reported in the financial statements as follows:

Cash and Investments	\$ 1,000
Restricted Cash and Investments	<u>802,366</u>
Total	<u>\$ 803,366</u>

Deposits

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. At June 30, 2014, State regulatory commissioners have indicated that all financial institutions holding deposits for the Academy are eligible public depositories. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group.

The market value of the collateral must be at least equal to 102% of the uninsured deposits. The Academy has no policy regarding custodial credit risk for deposits as the deposits are maintained by the District. The District had no deposits as of June 30, 2014.

Pooled Cash with the District

Cash deposits are pooled with the Academy cash and investments which were held by several banking institutions. Pooled investments represent investments in local government investment pools or in money market funds. At June 30, 2014 the Academy's balance in equity in both restricted and unrestricted pooled cash of the District totaled \$79,845.

COLLEGIATE ACADEMY OF COLORADO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

NOTE 3: CASH AND INVESTMENTS (Continued)

Investments

Interest Rate Risk

The Academy does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, the Academy is required to follow the investment policy of the District.

Credit Risk

Colorado statutes specify in which instruments units of local government may invest, which include:

- Obligations of the United States and certain U.S. Government Agency securities
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Local government investment pools
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts

State statutes limit investments in money market funds to those that maintain a constant share price, with a maximum remaining maturity in accordance with Rule 2a-7, and either have assets of one billion dollars or the highest rating issued by a nationally recognized statistical rating organization ("NRSROs"). At June 30, 2014, the Foundation had \$722,521 invested in a money market fund that was rated AAAM by Standard & Poor's and Aaa-mf by Moody's Investors Service.

The Academy has no policy for managing credit risk or interest rate risk.

Restricted Cash and Investments

Cash and Investments of \$722,521 are restricted in the Building Foundation Fund for project costs and bond reserves. Cash in the amount of \$79,845 is also restricted in the General Fund as an emergency reserve related to the TABOR amendment.

COLLEGIATE ACADEMY OF COLORADO

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE 4: CAPITAL ASSETS

Capital Assets activity for the year ended June 30, 2014 is summarized below.

	Balance <u>June 30, 2013</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2014</u>
Governmental Activities				
Capital Assets, not depreciated				
Land	\$ 650,000	\$ -	\$ -	\$ 650,000
Construction in Progress	-	314,930	-	314,930
Total Capital Assets, not depreciated	<u>650,000</u>	<u>314,930</u>	<u>-</u>	<u>964,930</u>
Capital Asset, depreciated				
Building	5,123,924	-	-	5,123,924
Equipment	<u>15,251</u>	<u>-</u>	<u>-</u>	<u>15,251</u>
Total Capital Assets, depreciated	<u>5,139,175</u>	<u>-</u>	<u>-</u>	<u>5,139,175</u>
Accumulated Depreciation				
Building	1,852,534	175,398	-	2,027,932
Equipment	<u>14,743</u>	<u>254</u>	<u>-</u>	<u>14,997</u>
Total Accumulated Depreciation	<u>1,867,277</u>	<u>175,652</u>	<u>-</u>	<u>2,042,929</u>
Capital Assets, depreciated, net	<u>3,271,898</u>	<u>(175,652)</u>	<u>-</u>	<u>3,096,246</u>
Total Capital Assets	<u>\$ 3,921,898</u>	<u>\$ 139,278</u>	<u>\$ -</u>	<u>\$ 4,061,176</u>

Depreciation has been charged to the Supporting Services Program of the Academy.

During the year ended June 30, 2014, the District paid for and contributed assets in the amount of \$314,930 to the Academy. This contribution has been reported as a Capital Transfer from the District on the Statement of Activities.

NOTE 5: ACCRUED SALARIES AND BENEFITS

Salaries and retirement benefits of certain contractually employed personnel are paid over a twelve month period from August to July, but are earned during a school year of nine months. The salaries and benefits earned, but unpaid, as of June 30, 2014, were \$119,694 in the General Fund.

COLLEGIATE ACADEMY OF COLORADO

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE 6: LONG-TERM DEBT

Following is a summary of the Academy's long-term debt transactions for the year ended June 30, 2014:

	<u>Balance</u> <u>June 30, 2013</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>June 30, 2014</u>	<u>Due In</u> <u>One Year</u>
Building Lease	\$ 6,525,000	\$ -	\$ 265,000	\$ 6,260,000	\$ 240,000
Premium	<u>110,308</u>	<u>-</u>	<u>6,128</u>	<u>104,180</u>	<u>-</u>
Total	<u>\$ 6,635,308</u>	<u>\$ -</u>	<u>\$ 271,128</u>	<u>\$ 6,364,180</u>	<u>\$ 240,000</u>

Building Lease

In May, 2004, the Colorado Educational and Facilities Authority (CECFA) issued \$8,195,000 Charter School Revenue Bonds, Series 2004. Proceeds from the bonds were used to refund the CECFA Charter School Revenue Bonds Series 2002, which were used to construct the Academy's building. The Academy is required to make equal lease payments to the Building Foundation for use of the buildings. The Building Foundation is required to make equal lease payments to the Trustee, for payment of the bonds. Interest accrues at rates ranging from 2% to 5.25%. The bonds mature in June 2031.

Future debt service requirements are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 240,000	\$ 313,037	\$ 553,037
2016	255,000	300,663	555,663
2017	270,000	287,537	557,537
2018	285,000	273,663	558,663
2019	295,000	259,162	554,162
2020 – 2024	1,715,000	1,042,244	2,757,244
2025 – 2029	2,185,000	546,625	2,731,625
2030 – 2031	<u>1,015,000</u>	<u>53,250</u>	<u>1,068,250</u>
Total	<u>\$ 6,260,000</u>	<u>\$ 3,076,181</u>	<u>\$ 9,336,181</u>

COLLEGIATE ACADEMY OF COLORADO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

NOTE 7: DEFINED BENEFIT PENSION PLAN

Plan Description. The Academy contributes to the School Division Trust Fund (SDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado (PERA). The SDTF provides retirement and disability, post-retirement annual increases, and death benefits for members or their beneficiaries. All employees of the Academy are members of the SDTF. Title 24, Article 51 of the Colorado Revised Statutes (CRS), as amended, assigns the authority to establish benefit provisions to the State Legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for the SDTF. That report may be obtained online at www.copera.org or by writing to Colorado PERA, 1300 Logan Street, Denver, Colorado 80203 or by calling PERA at 303-832-9550 or 1-800-759-PERA (7372).

Funding Policy. The Academy is required to contribute member and employer contributions to PERA at a rate set by statute. The contribution requirements of plan members and the Academy are established under Title 24, Article 51, Part 4 of the CRS, as amended. The contribution rate for members is 8.0 % and for the Academy it is 10.15 % of covered salary. A portion of the Academy's contribution (1.02 % of covered salary) is allocated to the Health Care Trust Fund (See Note 8). If the Academy rehires a PERA retiree as an employee or under any other work arrangement, it is required to report and pay employer contributions on the amounts paid for the retiree, then member must contribute 8% of covered salary. The Academy is also required to pay an amortization equalization disbursement equal to 7.3 % of the total payroll for the calendar year 2014, (6.4 % of total payroll for the calendar year 2013). For the years ending June 30, 2012, 2013, and 2014, the Academy's employer contribution for the SDTF were \$258,096, \$241,361, and \$221,604, respectively, equal to their required contributions for each year.

NOTE 8: POSTEMPLOYMENT HEALTHCARE BENEFITS

Plan Description. The Academy contributes to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer post employment healthcare plan administered by PERA. The HCTF provides a health care premium subsidy to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the CRS, as amended, assigns the authority to establish the HCTF benefit provisions to the State Legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for the HCTF. That report may be obtained online at www.copera.org or by writing to Colorado PERA, 1300 Logan Street, Denver, Colorado 80203 or by calling PERA at 303-832-9550 or 1-800-759-PERA (7372).

COLLEGIATE ACADEMY OF COLORADO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

NOTE 8: **POSTEMPLOYMENT HEALTHCARE BENEFITS** (Continued)

Funding Policy. The Academy is required to contribute at a rate of 1.02% of covered salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the Academy are established under Title 24, Article 51, Part 4 of the CRS, as amended. The apportionment of the contribution to the HCTF is established under Title 24, Article 51, Section 208 of the Colorado Revised Statutes, as amended. For the years ending June 30, 2012, 2013, and 2014, the Academy's employer contributions to the HCTF were \$19,214, \$15,201, and \$13,238, respectively, equal to their required contributions for each year.

NOTE 9: **COMMITMENTS AND CONTINGENCIES**

Claims and Judgments

The Academy participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Academy may be required to reimburse the grantor government. As of June 30, 2014, significant amounts of grant expenditures have not been audited, but the Academy believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the Academy.

Line of Credit

In December 2013, the Academy entered into a short-term loan arrangement with the District to meet its budgetary requirements for the school year. This loan arrangement operates like a line of credit with maximum loan amount to be \$200,000. The agreement is in effect until June 30, 2014. At June 30, 2014, the Academy owed the District \$75,496 under this agreement.

Tabor Amendment

In November 1992, Colorado voters passed the Tabor Amendment to the State Constitution, which limits state and local government tax powers and imposes spending limitations. Fiscal year 1993 provides the basis for limits in future years to which may be applied allowable increases for inflation and student enrollment. Revenue received in excess of the limitations may be required to be refunded. The Academy believes it has complied with the Amendment. As required by the Amendment, the Academy has established a reserve for emergencies. At June 30, 2014, the reserve of \$79,845 was recorded as a reservation of fund balance in the General Fund. The District also holds \$79,845 in pooled cash on behalf of the Academy for this reserve.

REQUIRED SUPPLEMENTARY INFORMATION

COLLEGIATE ACADEMY OF COLORADO

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2014

	2014			VARIANCE Positive (Negative)	2013 ACTUAL
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL		
REVENUES					
Local Sources					
Per Pupil Revenue	\$ 2,577,921	\$ 2,559,874	\$ 2,418,609	\$ (141,265)	\$ 2,984,264
Mill Levy Override	-	-	92,175	92,175	45,831
Charges for Services	145,143	96,045	75,184	(20,861)	82,102
Donations	42,266	42,000	43,367	1,367	40,773
Other	14,090	69,090	72,702	3,612	68,499
State Sources					
Grants and Donations	41,424	41,424	94,902	53,478	127,298
TOTAL REVENUES	<u>2,820,844</u>	<u>2,808,433</u>	<u>2,796,939</u>	<u>(11,494)</u>	<u>3,348,767</u>
EXPENDITURES					
Salaries	1,440,120	1,443,100	1,409,701	33,399	1,676,173
Employee Benefits	362,406	362,406	339,967	22,439	269,677
Purchased Services	1,109,017	1,106,930	1,104,028	2,902	1,251,507
Supplies and Materials	80,903	87,113	65,812	21,301	87,685
TOTAL EXPENDITURES	<u>2,992,446</u>	<u>2,999,549</u>	<u>2,919,508</u>	<u>80,041</u>	<u>3,285,042</u>
NET CHANGE IN FUND BALANCE	(171,602)	(191,116)	(122,569)	68,547	63,725
FUND BALANCE, Beginning	<u>2,772</u>	<u>2,772</u>	<u>2,772</u>	-	<u>(60,953)</u>
FUND BALANCE, Ending	<u>\$ (168,830)</u>	<u>\$ (188,344)</u>	<u>\$ (119,797)</u>	<u>\$ 68,547</u>	<u>\$ 2,772</u>

See the accompanying independent auditors' report.