

**ADDENBROOKE CLASSICAL ACADEMY**

**BASIC FINANCIAL STATEMENTS**

**June 30, 2014**

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## **FINANCIAL SECTION**



## JOHN CUTLER & ASSOCIATES

Board of Directors  
Addenbrooke Classical Academy  
Lakewood, Colorado

### INDEPENDENT AUDITORS' REPORT

#### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Addenbrooke Classical Academy, 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 basic financial statements of the Academy, 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 expression an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluation 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.

#### Opinion

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 Addenbrooke Classical Academy, 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 budgetary comparison information on page 14 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 the Addenbrooke Classical Academy (the "Academy"), we offer readers of the Academy's financial statements this narrative overview and analysis of the financial activities of the Academy for the fiscal year ended June 30, 2014.

### **Financial Highlights**

At the close of its 1<sup>st</sup> year of operation, liabilities of the Academy exceeded its liabilities by \$26,427 (deficit net position).

At the close of the fiscal year the Academy's General Fund reported a negative ending fund balance of (\$26,427), due to first year start up costs.

### **Overview of Financial Statements**

This discussion and analysis are intended to serve as an introduction to the Academy's basic financial statements. The Academy'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 the Academy's finances, in a manner similar to a private-sector business.

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

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

The government-wide financial statement of activities distinguishes functions/programs of the Academy supported primarily by per pupil revenue (PPR) passed through from the District (Jefferson County School District, No. R-1. The governmental activities of the Academy include instruction and supporting expenses.

The government-wide financial statements can be found on pages 1-2 of this report.

## **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. The Academy, like other governmental units or charter schools, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Academy 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 Academy'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 Academy'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.

Addenbrooke Classical Academy maintains one governmental fund, the general fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund which is considered to be major. This information is provided in pages 3-4.

Addenbrooke Classical Academy 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 on page 14.

**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 5-13.

## **Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Addenbrooke Classical Academy, assets did not exceed liabilities for all government funds at the close of the most recent fiscal year.

**Addenbrooke Classical Academy's Net Position**

	Governmental Activities <u>30-Jun-14</u>
Cash and Investments	\$ 1,328
Restricted Cash and Investments	<u>23,038</u>
Total Assets	24,366
Current Liabilities	50,793
Noncurrent Liabilities	-
Total Liabilities	<u>50,793</u>
Net Position	
Restricted for	
Emergencies Tabor	23,038
Unrestricted	<u>(49,465)</u>
Total Net Position	<u>\$ (26,427)</u>

**Addenbrooke Classical Academy's Change in Net Position  
For the Year Ended June 30, 2014**

	<u>Governmental Activities</u>
Program Revenue:	
Charges for Services	\$ 9,948
Operating Grants and Contributions	31,891
Capital Grants and Contributions	-
Total Program Revenue	<u>41,839</u>
General Revenue:	
Per Pupil Operating Revenue	722,640
Mill Levy Override	21,966
Donations	5,755
Other	9,014
Total General Revenue	<u>759,375</u>
Total Revenue	<u>801,214</u>
Expenses:	
Current:	
Instruction	483,959
Supporting Services	343,682
Total Expenses	<u>827,641</u>
Increase (Decrease) in Net Position	(26,427)
Beginning Net Position, June 30	<u>-</u>
Ending Net Position, June 30	<u>\$ (26,427)</u>

**Financial Analysis of the Government's Funds**

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

**Governmental Funds.** The focus of the Academy's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Academy's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the Academy'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 Academy's General Fund reported an ending fund balance of (\$26,427).

## **General Fund Budgetary Highlights**

The Academy approves a budget in March based on enrollment projections for the following school year. In October after enrollment stabilizes, adjustments are made to the budget. Enrollment for FY 14/15 is projected to increase by 99 students (210) due to the addition of a K-5 campus.

## **Capital Asset and Debt Administration**

**Capital Assets.** Addenbrooke Classical Academy's does not hold any capital as of June 30, 2014.

## **Long-Term Lease Agreement**

Addenbrooke Classical Academy was not committed to any long-term lease agreements during the 2013-2014 fiscal year.

## **Economic Factors and Next Year's Budget**

In 2014-2015, The Charter School Capital Construction Fund in Colorado will grow from \$7 million to at least \$13.5 million (and possibly as high as \$18.5 million, the range is due to the marijuana excise tax). This increases the Capital Construction dollars to ACA from approximately \$85 per FTE to \$170 FTE an increase of approximately \$26,000.

The cap on the state's Moral Obligation Program increased from \$400 million to \$500 million. This program enhances the credit of a "qualified charter school." A qualified charter school is one that has obtained an investment grade credit rating on a "stand-alone" basis. The enhancement enables these qualified schools to obtain even more favorable financing terms on their capital construction bonds. A buy-down of the negative factor was achieved, therefore increasing per-pupil funding to approximately \$6,842.27 for Jefferson County Public School District. This is an increase of approximately \$360 per FTE or 5%.

Jefferson County Public Schools approved and allocated to Charter Schools an additional Mill Levy of approximately \$850 per FTE for a total Mill Levy of \$1,121 per FTE. This increase is additional funding for ACA of approximately \$242,741.34.

## **Requests for Information**

This financial report is designed to provide a general overview of the Addenbrooke Classical Academy's finances for all those with an interest in the Academy's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Addenbrooke Classical Academy, Attn: Charles Wright, Principal, 480 S. Kipling St., Lakewood, CO 80226.

## **BASIC FINANCIAL STATEMENTS**

ADDENBROOKE CLASSICAL ACADEMY

STATEMENT OF NET POSITION

As of June 30, 2014

	<u>Governmental Activities</u>
ASSETS	
Cash and Investments	\$ 1,328
Restricted Cash and Investments	<u>23,038</u>
TOTAL ASSETS	<u>24,366</u>
LIABILITIES	
Accounts Payable	9,723
Accrued Salaries	<u>41,070</u>
TOTAL LIABILITIES	<u>50,793</u>
NET POSITION	
Restricted for Emergencies	23,038
Unrestricted	<u>(49,465)</u>
TOTAL NET POSITION	<u><u>\$ (26,427)</u></u>

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

ADDENBROOKE CLASSICAL ACADEMY

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2014

FUNCTIONS/PROGRAMS	Expenses	PROGRAM REVENUES		Net Expense (Revenue) and Change in Net Position
		Charges for Services	Operating Grants and Contributions	
PRIMARY GOVERNMENT				
<b>Governmental Activities</b>				
Instruction	\$ 483,959	\$ 9,948	\$ 31,891	\$ -
Supporting Services	343,682	-	-	-
Total Governmental Activities	<u>\$ 827,641</u>	<u>\$ 9,948</u>	<u>\$ 31,891</u>	<u>\$ -</u>
		GENERAL REVENUES		
			Per Pupil Revenue	722,640
			Mill Levy Override	21,966
			Donations	5,755
			Other	9,014
			TOTAL GENERAL REVENUES	<u>759,375</u>
			CHANGE IN NET POSITION	(26,427)
			NET POSITION, Beginning	<u>-</u>
			NET POSITION, Ending	<u>\$ (26,427)</u>

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

ADDENBROOKE CLASSICAL ACADEMY

BALANCE SHEET  
 GOVERNMENTAL FUNDS  
 June 30, 2014

	<u>GENERAL FUND</u>
ASSETS	
Cash and Investments	\$ 1,328
Restricted Cash and Investments	<u>23,038</u>
 TOTAL ASSETS	 <u>\$ 24,366</u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts Payable	\$ 9,723
Accrued Salaries	<u>41,070</u>
 TOTAL LIABILITIES	 <u>50,793</u>
FUND BALANCES	
Restricted for Emergencies	23,038
Unassigned	<u>(49,465)</u>
 TOTAL FUND BALANCE	 <u>(26,427)</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 24,366</u>

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

ADDENBROOKE CLASSICAL ACADEMY

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

	GENERAL FUND
REVENUES	
Local Sources	\$ 769,323
State Sources	31,891
	<hr/>
TOTAL REVENUES	801,214
	<hr/>
EXPENDITURES	
Instruction	483,959
Supporting Services	343,682
	<hr/>
TOTAL EXPENDITURES	827,641
	<hr/>
NET CHANGE IN FUND BALANCE	(26,427)
	<hr/>
FUND BALANCE, Beginning	-
	<hr/>
FUND BALANCE, Ending	\$ (26,427)
	<hr/> <hr/>

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

ADDENBROOKE CLASSICAL ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Addenbrooke Classical Academy (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.

Based upon the application of these criteria, no additional organizations are included in the Academy’s reporting entity. However, the Academy is a component unit of Jefferson County School District No. R-1.

**Government-Wide and Fund Financial Statements**

The Academy 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.

ADDENBROOKE CLASSICAL ACADEMY

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 fund:

*General Fund* – This fund is the general operating fund of the Academy. It is used to account for all financial resources.

ADDENBROOKE CLASSICAL ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Assets, Liabilities and Fund Balance/Net Position**

*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 an estimated useful life of 30 years for the buildings and 10-15 years for equipment. The Academy has no capital assets as of June 30, 2014.

*Unearned Revenues* – The unearned revenues include amounts received but not yet available for expenditure.

*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, as well as issuance costs, 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. The Academy has no long-term debt as of June 30, 2014.

**Net Position**

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

*Net Investment in Capital Assets* includes the Academy's capital assets (net of accumulated depreciation) reduced by the outstanding balances of bonds that are attributable to the acquisition, construction, or improvement of those assets.

*Restricted Net Position* includes assets that have third-party (statutory, bond covenant, or granting agency) limitations on their use. The Academy typically uses restricted assets first, as appropriate opportunities arise, but reserves the right to selectively defer the use until a future project.

*Unrestricted Net Position* typically includes unrestricted liquid assets. The Board has the authority to revisit or alter this designation.

ADDENBROOKE CLASSICAL ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Assets, Liabilities and Fund Balance/Net Position**

*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.
- 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.

ADDENBROOKE CLASSICAL ACADEMY

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2014

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**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 this coverage in the last three years.

**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 yearend.

**Legal Compliance**

The actual expenditures of the General Fund exceeded the budgeted amount by \$34,904. This may be a violation of State statute.

**Accountability**

The Academy's General Fund had a negative fund balance of \$26,427 as of June 30, 2014. This deficit is expected to be eliminated in future years by increased revenues and reduction of some start up expenditures.

**NOTE 3: CASH AND INVESTMENTS**

Cash and investment consist of the following:

Pooled Cash with the District	\$ 23,866
Petty Cash	<u>500</u>
Total Cash and Investments	<u><b>\$ 24,366</b></u>

ADDENBROOKE CLASSICAL ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

**NOTE 3:** **CASH AND INVESTMENTS** (Continued)

**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.

The Academy has no deposits as of June 30, 2014.

**Pooled Cash with the District**

Cash deposits are pooled with the District 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 \$23,866.

**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.

ADDENBROOKE CLASSICAL ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

**NOTE 3:** **CASH AND INVESTMENTS** (Continued)

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

The Academy had no investments as of June 30, 2014.

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

**Restricted Cash and Investments**

Cash and Investments of \$23,038 are restricted in the General Fund as an emergency reserve related to the TABOR amendment.

**NOTE 4:** **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 \$41,070 in the General Fund.

ADDENBROOKE CLASSICAL ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

**NOTE 5: 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](http://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 6). 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, and the 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 year ending June 30, 2014, the Academy's employer contribution for the SDTF was \$75,574, equal to their required contributions for the year.

**NOTE 6: 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](http://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).

ADDENBROOKE CLASSICAL ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

**NOTE 6:** *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 year ending June 30, 2014, the Academy's employer contributions to the HCTF was \$4,462, equal to their required contributions for the year.

**NOTE 7:** *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.

**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 \$23,038 was recorded as a restriction of fund balance in the General Fund. The District also holds \$23,038 in pooled cash on behalf of the Academy for this reserve.

**REQUIRED SUPPLEMENTARY INFORMATION**

ADDENBROOKE CLASSICAL ACADEMY

GENERAL FUND  
 BUDGETARY COMPARISON STATEMENT  
 Year Ended June 30, 2014

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
<b>REVENUES</b>				
Local Sources				
Per Pupil Operating Revenue	\$ 681,135	\$ 726,544	\$ 722,640	\$ (3,904)
Mill Levy Override	20,685	22,064	21,966	(98)
Charges for Services	-	3,500	9,948	6,448
Donations	5,000	5,000	5,755	755
Other	5,000	2,700	9,014	6,314
State Sources				
Grants and Donations	5,250	36,277	31,891	(4,386)
<b>TOTAL REVENUES</b>	<u>717,070</u>	<u>796,085</u>	<u>801,214</u>	<u>5,129</u>
<b>EXPENDITURES</b>				
Salaries	416,500	444,200	488,621	(44,421)
Employee Benefits	99,434	98,881	115,042	(16,161)
Purchased Services	158,658	211,174	95,284	115,890
Supplies and Materials	13,250	14,600	128,094	(113,494)
Other	21,475	23,882	600	23,282
<b>TOTAL EXPENDITURES</b>	<u>709,317</u>	<u>792,737</u>	<u>827,641</u>	<u>(34,904)</u>
<b>NET CHANGE IN FUND BALANCE</b>	7,753	3,348	(26,427)	(29,775)
FUND BALANCE, Beginning	-	-	-	-
FUND BALANCE, Ending	<u>\$ 7,753</u>	<u>\$ 3,348</u>	<u>\$ (26,427)</u>	<u>\$ (29,775)</u>

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