# LINCOLN ACADEMY

# BASIC FINANCIAL STATEMENTS

**June 30, 2015**

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# FINANCIAL SECTION

JOHN CUTLER & ASSOCIATES

Board of Directors
Lincoln Academy
Arvada, 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 Lincoln Academy, component unit of Jefferson County School District No. R-1, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the basic financial statements of Lincoln 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 Lincoln Academy, as of June 30, 2015, 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.

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## Other Matters

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, schedule of the school's proportionate share, and schedule of the school's contributions on pages 25-27 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 Cutler & Associates, LLC

October 28, 2015

# Management Discussion and Analysis

As administrators of Lincoln Academy, we offer readers of our financial statements, this narrative overview and analysis of the financial activities of Lincoln Academy for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with additional information provided in the financial statements.

**Financial Highlights**

The year ended June 30, 2015 is the eighteenth year of operations for Lincoln Academy. The liabilities of Lincoln Academy exceeded its assets at the close of the most recent fiscal year by ($3,173,027) (net position) based on the implementation of new regulations under the Governmental Accounting Standards Board Statement (GASB) Number 68. Based on the timing of implementing the regulation in 2014, the Beginning Net Position of the Government Type Activities was restated for FY2015. Further information about GASB 68 is provided in Note 7 of the financial statements

The General Fund reported an ending balance of $1,250,379 as of June 30, 2015.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to Lincoln Academy's basic financial statements. This management report also contains supplementary information in addition to the basic financial statements to give the reader a more detailed view of Lincoln Academy's financial performance. Lincoln 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.

The financial statements are presented in a way that provides readers with a broad overview of the finances of Lincoln Academy.

The statement of net position presents information on all of Lincoln 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 school is improving or deteriorating.

Lincoln Academy uses a grouping of related fund accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Lincoln Academy uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of Lincoln Academy's funds are governmental funds.

Government fund financial statements focus on near-term inflows and outflows of spendable resources, as well on balances of spendable resources available at the end of the fiscal year.

Lincoln Academy maintains two individual government funds; the General Fund and the Building Corporation. Financial information for the governmental funds is presented separately in the Balance Sheet and in the Statement of Revenues, Expenditures, and Changes in Fund Balance on pages 3 and 4 of the audit report.

Lincoln Academy adopts an annual appropriated budget for its General Fund, which is approved by the Board of Directors. Material adjustments to the budget are approved by the Board and recorded in Board meeting minutes.

## Lincoln Academy's Statement of Net Position

| | Governmental Activities | |
|---|---|---|
| | **2015** | **2014** |
| **ASSETS** | | |
| Cash and Investments | 1,350,248 | 946,616 |
| Restricted Cash and Investments | 900,832 | 878,921 |
| Accounts Receivable | 8,737 | 0 |
| Capital Assets, Net | 8,778,736 | 8,879,178 |
| **Total Assets** | 11,038,553 | 10,704,715 |
| | | |
| **DEFFERRED OUTFLOW OF RESOURCES** | | |
| Deferred Loss on Refunding | 159,380 | 165,072 |
| Related to Pensions | 589,265 | 0 |
| **Total Deferred Outflows** | 748,645 | 165,072 |
| | | |
| **LIABILITIES** | | |
| Current Liabilities | 352,990 | 341,766 |
| Noncurrent Liabilities | 7,371,152 | 7,558,836 |
| Net Pension Liability | 7,235,543 | 0 |
| TOTAL LIABILITIES | 14,959,685 | 7,900,602 |
| | | |
| **DEFFERRED INFLOW OF RESOURCES** | | |
| Related to Pensions | 540 | 0 |
| | | |
| **NET POSITION** | | |
| Net Investment in Capital Assets | 1,300,194 | 1,211,862 |
| Restricted for Emergencies | 136,994 | 125,941 |
| Restricted for Debt Service | 763,838 | 735,790 |
| Restricted for Capital Projects | 0 | 17,190 |
| Unrestricted | (5,374,053) | 878,402 |
| **TOTAL NET POSITION** | (3,173,027) | 2,969,185 |

## Lincoln Academy's Change in Net Position
## For the Years Ended June 30, 2015 and June 30,2014

| | June 30, 2015 | June 30, 2014 |
|---|---|---|
| **Program Revenue:** | | |
| Charges for Services | 777,754.00 | 774,901.00 |
| Operating Grants and Contributions | 98,123.00 | 83,686.00 |
| Capital Grants and Contributions | 98,935.00 | 53,800.00 |
| **Total Program Revenue** | **974,812.00** | **912,387.00** |
| | | |
| **General Revenue:** | | |
| Per Pupil Operation Revenue | 3,527,159.00 | 3,674,513.00 |
| Mill Levy Override | 655,180.00 | 140,039.00 |
| Investment Earnings | 0 | 91.00 |
| Other | 101,632.00 | 102,703.00 |
| Special Item-Gain on Sale of Assets | 0.00 | (182.00) |
| **Total General Revenue** | **4,283,971.00** | **3,917,164.00** |
| | | |
| **Total Revenue** | **5,258,783.00** | **4,829,551.00** |
| | | |
| **Expenses:** | | |
| Current: | | |
| Instruction | 2,646,304.00 | 2,248,602.00 |
| Supporting Services | 2,092,803.00 | 2,127,298.00 |
| Interest and Fiscal Charges | 332,357.00 | 317,241.00 |
| **Total Expenses** | **5,071,464.00** | **4,693,141.00** |
| | | |
| **Increase (Decrease) in Net Position** | **187,319.00** | **136,410.00** |
| | | |
| **Beginning Net Position, June 30 as Restated** | **(3,360,346.00)** | **2,832,775.00** |
| | | |
| **Ending Net Position, June 30** | **(3,173,027.00)** | **2,969,185.00** |

## Government Funds

Unassigned fund balance is a useful measure of a school's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year Lincoln Academy's government funds reported an ending general fund balance of $1,250,379. Of these funds, $136,994 is restricted in the General Fund as an emergency reserve related to the TABOR amendment and $1,113,385 is unassigned and available for future financial obligations of Lincoln Academy.

The fund balance in the amount of $763,838 in the Building Corporation Fund is restricted for future debt service obligations.

## General Fund Budgetary Highlights

The Lincoln Academy Board of Directors approved an initial budget in March 2014 based on enrollment projections for the following school year. In December after enrollment stabilized, and final numbers were available from the district; budgets were revised. The budget was reviewed by the Finance Council monthly with a final approval by the Board projecting an increase to the fund of $262,080.

## Financial Reporting for Pension Plan – GASB 68

GASB 68 was enacted this year to support the accounting and reporting of public employee pension plans for governmental institutions. This new standard effectively reports the Net Pension Liability for both current and future periods as projected based on current rates and employees with the goal of improving the usefulness of information to the public and investing segments. This new reporting standard does not impact current required pension funding levels for Lincoln nor suggest that Lincoln is underfunded. Please refer to Note 7 in the audited financial statements for additional information. For year-ending 2015, Lincoln Academy reported a $7.2M liability related to its proportional share of the net pension liability.

## The Year Ahead

For the school year ending June 30, 2015, the funded population was 584 students. For the coming year, Lincoln Academy plans to increase the funded population to 617 students. State and Jefferson County funding for public schools has been relatively stable over the past three years. With the state economy improving, PPR funding is anticipated to grow slightly in 2015-16. With these funds and conservative financial management, Lincoln Academy anticipates our school to continue to deliver exceptional education while looking to maximize our staff and service opportunities for our students.

## Requests for Information

This financial report is designed to provide a general overview of Lincoln Academy'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:


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# BASIC FINANCIAL STATEMENTS

LINCOLN ACADEMY

STATEMENT OF NET POSITION
As of June 30, 2015

| | Governmental Activities | |
|---|---|---|
| | 2015 | 2014 |
| ASSETS | | |
| Cash and Investments | $ 1,350,248 | $ 946,616 |
| Restricted Cash and Investments | 900,832 | 878,921 |
| Accounts Receivable | 8,737 | - |
| Capital Assets, Not Depreciated | 2,685,452 | 2,685,452 |
| Capital Assets, Depreciated, Net of Accumulated Depreciation | 6,093,284 | 6,193,726 |
| TOTAL ASSETS | 11,038,553 | 10,704,715 |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Deferred Loss on Refunding | 159,380 | 165,072 |
| Related to Pensions | 589,265 | - |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | 748,645 | 165,072 |
| LIABILITIES | | |
| Accounts Payable | 34,509 | 35,511 |
| Accrued Salaries | 178,183 | 160,858 |
| Accrued Interest | 107,390 | 108,480 |
| Unearned Revenues | 32,908 | 36,917 |
| Noncurrent Liabilities | | |
| Due in One Year | 171,000 | 190,000 |
| Due in More Than One Year | 7,200,152 | 7,368,836 |
| Net Pension Liability | 7,235,543 | - |
| TOTAL LIABILITIES | 14,959,685 | 7,900,602 |
| DEFERRED INFLOWS OF RESOURCES | | |
| Related to Pensions | 540 | - |
| NET POSITION | | |
| Net Investment in Capital Assets | 1,300,194 | 1,211,862 |
| Restricted for Emergencies | 136,994 | 125,941 |
| Restricted for Debt Service | 763,838 | 735,790 |
| Restricted for Capital Projects | - | 17,190 |
| Unrestricted | (5,374,053) | 878,402 |
| TOTAL NET POSITION | $ (3,173,027) | $ 2,969,185 |

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

LINCOLN ACADEMY

STATEMENT OF ACTIVITIES
Year Ended June 30, 2015

| FUNCTIONS/PROGRAMS | Expenses | PROGRAM REVENUES Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Net (Expense) Revenue and Change in Net Position Governmental Activities 2015 | 2014 |
|---|---|---|---|---|---|---|
| PRIMARY GOVERNMENT | | | | | | |
| **Governmental Activities** | | | | | | |
| Instruction | $ 2,646,304 | $ 777,754 | $ 98,123 | $ - | $ (1,770,427) | $ (1,390,015) |
| Supporting Services | 2,092,803 | - | - | 98,935 | (1,993,868) | (2,073,680) |
| Interest on Long-Term Debt | 332,357 | - | - | - | (332,357) | (317,241) |
| Total Governmental Activities | $ 5,071,464 | $ 777,754 | $ 98,123 | $ 98,935 | (4,096,652) | (3,780,936) |
| | | GENERAL REVENUES | | | | |
| | | Per Pupil Revenue | | | 3,527,159 | 3,674,513 |
| | | Mill Levy Override | | | 655,180 | 140,039 |
| | | Interest | | | - | 91 |
| | | Other | | | 101,632 | 102,703 |
| | | TOTAL GENERAL REVENUES | | | 4,283,971 | 3,917,346 |
| | | CHANGE IN NET POSITION | | | 187,319 | 136,410 |
| | | NET POSITION, Beginning, As Restated | | | (3,360,346) | 2,832,775 |
| | | NET POSITION, Ending | | | $ (3,173,027) | $ 2,969,185 |

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

LINCOLN ACADEMY

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015

| | GENERAL FUND | BUILDING CORPORATION | TOTALS 2015 | TOTALS 2014 |
|---|---|---|---|---|
| ASSETS | | | | |
| Cash and Investments | $ 1,350,248 | $ - | $ 1,350,248 | $ 946,616 |
| Restricted Cash and Investments | 136,994 | 763,838 | 900,832 | 878,921 |
| Accounts Receivable | 8,737 | - | 8,737 | - |
| TOTAL ASSETS | $ 1,495,979 | $ 763,838 | $ 2,259,817 | $ 1,825,537 |
| LIABILITIES AND FUND BALANCES | | | | |
| LIABILITIES | | | | |
| Accounts Payable | $ 34,509 | $ - | $ 34,509 | $ 35,511 |
| Accrued Salaries and Benefits | 178,183 | - | 178,183 | 160,858 |
| Unearned Revenues | 32,908 | - | 32,908 | 36,917 |
| TOTAL LIABILITIES | 245,600 | - | 245,600 | 233,286 |
| FUND BALANCES | | | | |
| Restricted for Emergencies | 136,994 | - | 136,994 | 125,941 |
| Restricted for Debt Service | - | 763,838 | 763,838 | 735,790 |
| Restricted for Capital Projects | - | - | - | 17,190 |
| Unassigned | 1,113,385 | - | 1,113,385 | 713,330 |
| TOTAL FUND BALANCES | 1,250,379 | 763,838 | 2,014,217 | 1,592,251 |
| TOTAL LIABILITIES AND FUND BALANCES | $ 1,495,979 | $ 763,838 | | |
| 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. | | | 8,778,736 | 8,879,178 |
| 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 ($7,405,000), note payable ($31,000), accrued interest ($107,390), bond discount $64,848, and deferred loss on refunding $159,380. | | | (7,319,162) | (7,502,244) |
| Long-term liabilities and related assets related to pensionsare not due and payable in the current period and, therefore, are not reported in the funds. This amount is comprised of net pension liability ($7,235,543), deferred outflows related to pensions of $589,265, and deferred inflows related to pensions of ($540). | | | (6,646,818) | - |
| Net position of governmental activities | | | $ (3,173,027) | $ 2,969,185 |

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

LINCOLN ACADEMY

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2015

| | GENERAL FUND | BUILDING CORPORATION | TOTALS 2015 | TOTALS 2014 |
|---|---|---|---|---|
| REVENUES | | | | |
| Local Sources | $ 4,629,012 | $ 476,297 | $ 5,105,309 | $ 4,729,683 |
| State Sources | 153,474 | - | 153,474 | 100,050 |
| TOTAL REVENUES | 4,782,486 | 476,297 | 5,258,783 | 4,829,733 |
| EXPENDITURES | | | | |
| Current | | | | |
| Instruction | 2,450,244 | - | 2,450,244 | 2,248,602 |
| Supporting Services | 1,871,134 | - | 1,871,134 | 1,983,876 |
| Capital Outlay | - | - | - | 619,709 |
| Debt Service | | | | |
| Principal | 50,000 | 140,000 | 190,000 | 140,000 |
| Interest | - | 325,439 | 325,439 | 274,251 |
| TOTAL EXPENDITURES | 4,371,378 | 465,439 | 4,836,817 | 5,266,438 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 411,108 | 10,858 | 421,966 | (436,705) |
| NET CHANGE IN FUND BALANCES | 411,108 | 10,858 | 421,966 | (436,705) |
| FUND BALANCES, Beginning | 839,271 | 752,980 | 1,592,251 | 2,028,956 |
| FUND BALANCES, Ending | $ 1,250,379 | $ 763,838 | $ 2,014,217 | $ 1,592,251 |

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

# RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2015

| | | |
|---|---|---|
| Amounts Reported for Governmental Activities in the Statement of Activities are Different Because: | | |
| Net Changes in Fund Balances - Total Governmental Funds | $ | 421,966 |
| 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 that depreciation expense ($251,006) exceeded capital outlay $150,564, for the current year. | | (100,442) |
| Some expenses reported in the statement of activities do not require current financial resources and are not reported in the funds. These include bond payments of $140,000, loan payments $50,000, amortization of bond discount ($2,316), amortization of loss on refunding ($5,692), and decrease in accrued interest payable $1,090. | | 183,082 |
| Deferred charges related to pensions are not recognized in the govermental funds. However, for the government-wide funds that amount is capitalized and amortized. | | (317,287) |
| Change in Net Position of Governmental Activities | $ | 187,319 |

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

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

The Lincoln 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.

The Academy includes the Lincoln Academy Building Corporation (the "Building Corporation") within its reporting entity. The Building Corporation 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 Corporation 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.

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

**Government-Wide and Fund Financial Statements**

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. 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.

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

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation** (Continued)

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 Corporation* – This fund is used to account for the debt service activities of the Academy.

**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 an estimated useful life of 30 years.

*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.

*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 or resources. This separate financial statement element, *deferred outflow 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.

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

**Assets, Liabilities and Fund Balance/Net Position** (Continued)

In addition to liabilities, the statement of financial position and balance sheets will sometimes report a separate section for deferred inflows or resources. This separate financial statement element, *deferred inflow of resources*, represents an acquisition of net position and fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

*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.

**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 and funds held in the Building Corporation as being restricted because their use is restricted by State Statute for declared emergencies, and debt service.

**NOTE 1:** ***<u>SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</u>*** (Continued)

**Assets, Liabilities and Fund Balance/Net Position** (Continued)

- <u>Committed</u> – 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, 2015.

- <u>Unassigned</u> – 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 full time administrative employees to accumulate sick leave at a rate ranging from 9 to 10 days per year, depending on the employee's position. Accrued sick leave in excess of one year is paid in June of each year at a rate of $100 per day. Upon termination of employment, full time administrative employees are paid for their accrued sick leave. Due to immateriality, the amount was not reported as a liability on the Academy's statement of net position. Should the amount become material in future years, a liability will be recorded on the Academy's 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 the insurance coverage in the last three years.

## 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, comparative data has not been presented in all statements because such inclusion would make certain statements unduly complex and difficult to understand. Also, certain amounts presented in the prior year data have been reclassified to be consistent with current year's presentation.

## 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 July1. 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.

## 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 | $ 700 |
| Pooled Cash with the District | 1,486,542 |
| Investments | 763,838 |
| Total Cash and Investments | **$ 2,251,080** |

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

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

| | |
|---|---|
| Cash and Investments | $ 1,350,248 |
| Restricted Cash and Investments | 900,832 |
| Total | **$ 2,251,080** |

**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, 2015, 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 at June 30, 2015.

**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, 2015 the Academy's balance in equity in both restricted and unrestricted pooled cash of the District totaled $1,486,542.

**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.

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 ("NRSRO"). At June 30, 2015, the Academy had $763,838 invested in a money market fund. The fund invests only in U.S. Treasury obligations and is rated AAAm by Standard and Poor's.

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

**Restricted Cash and Investments**

Cash and Investments of $763,838 are restricted in the Building Corporation Fund for project costs and bond reserves. Cash in the amount of $136,994 is also restricted in the General Fund as an emergency reserve related to the TABOR amendment.

**NOTE 4:** ***CAPITAL ASSETS***

Capital Assets activity for the year ended June 30, 2015 is summarized below.

| | Balance June 30, 2014 | Additions | Deletions | Balance June 30, 2015 |
|---|---|---|---|---|
| **Governmental Activities** | | | | |
| Capital Assets, not depreciated | | | | |
| Land | $ 2,685,452 | $ - | $ - | $ 2,685,452 |
| Capital Asset, depreciated | | | | |
| Building | 6,308,395 | 150,564 | - | 6,458,959 |
| Machinery and Equipment | 92,371 | - | - | 92,371 |
| Total Capital Assets, depreciated | 6,400,766 | 150,564 | - | 6,551,330 |
| Accumulated Depreciation | | | | |
| Building | 207,040 | 234,939 | - | 441,979 |
| Machinery and Equipment | - | 16,067 | - | 16,067 |
| Total Accumulated Depreciation | 207,040 | 251,006 | - | 458,046 |
| Capital Assets, depreciated, net | 6,193,726 | (100,442) | - | 6,093,284 |
| Total Capital Assets | $ **8,879,178** | **$ (100,442)** | **$ -** | **$ 8,778,736** |

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

**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 approximately nine to ten months. The salaries and benefits earned, but unpaid, as of June 30, 2015, were $178,183. Accordingly, the accrued compensation is reflected as a liability in the accompanying financial statements of the General Fund.

**NOTE 6:** ***LONG-TERM DEBT***

Following is a summary of the Academy's long-term debt transactions for the year ended June 30, 2015:

| | Balance June 30, 2014 | Additions | Payments | Balance June 30, 2015 | Due In One Year |
|---|---|---|---|---|---|
| Series 2013 Bonds | $ 7,545,000 | $ - | $ 140,000 | $ 7,405,000 | $ 140,000 |
| Series 2013 Discount | (67,164) | - | (2,316) | (67,164) | - |
| Note Payable | 81,000 | - | 50,000 | 31,000 | 31,000 |
| Total | **$ 7,558,836** | **$ -** | **$ 187,684** | **$ 7,371,152** | **$ 171,000** |

**2013 Bonds Payable**

In April, 2013, the Colorado Educational and Facilities Authority (CECFA) issued $5,690,000 Charter School Revenue Bonds, Series 2013A and $1,965,000 Charter School Refunding Revenue Bonds Series 2013B. Series 2013A was issued to purchase the Corporation's new facility. The bonds accrue interest at rates ranging from 3.5% to 5.0%. Series 2013B was issued to fully refund the 2005 Charter School Revenue Refunding Bonds. Series 2013B accrues interest ranging from 2.335% to 4.55% Interest payments are due semi-annually on March 1 and September 1. Principal payments are due annually on March 1, through 2043 for Series 2013A and 2026 for Series 2013B.

The Academy is obligated under a lease agreement to make monthly lease payments to the Building Corporation for use of the facilities. The Building Corporation is obligated under the loan agreement to make similar payments to the trustee, for payment of the bonds.

**Note Payable**

In April of 2013, the Academy entered into a loan agreement with CSDCPC TRCS, LLC in the amount of $136,000. The purpose of the loan was to assist the Academy in the payment of closing costs and other expenses related to the issuance of the 2013 Revenue Bonds. The loan carries no interest. The loan is secured by real property owned by the Academy. A payment of $25,000 was due at the issuance date of the bonds. The remaining principal balance is due in three annual installments through July 1, 2015.

**NOTE 6:** ***LONG-TERM DEBT*** (Continued)

Future debt service requirements are as follows:

| Year Ended June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2016 | $ 171,000 | $ 322,170 | $ 493,170 |
| 2017 | 145,000 | 318,901 | 463,901 |
| 2018 | 150,000 | 314,740 | 464,740 |
| 2019 | 160,000 | 307,915 | 467,915 |
| 2020 | 165,000 | 300,635 | 465,635 |
| 2021 – 2025 | 940,000 | 1,383,965 | 2,323,965 |
| 2026 – 2030 | 1,180,000 | 1,167,620 | 2,347,620 |
| 2031 – 2035 | 1,435,000 | 914,100 | 2,349,100 |
| 2036 – 2040 | 1,795,000 | 560,500 | 2,355,500 |
| 2041 – 2043 | 1,295,000 | 122,825 | 1,417,825 |
| **Total** | **$ 7,436,000** | **$ 5,713,371** | **$ 13,149,371** |

**Defeased Debt**

In April of 2013, the Academy defeased $1,760,000 of the 2005 bonds by placing new bond proceeds in an irrevocable trust to provide for future debt service payments on the defeased bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Academy's financial statements. At June 30, 2015, $1,760,000 of the defeased bonds are still outstanding.

**NOTE 7:** ***DEFINED BENEFIT PENSION PLAN***

*Pensions.* The Academy participates in the School Division Trust Fund (SCHDTF), a cost-sharing multiple-employer defined benefit pension fund administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the SCHDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**NOTE 7:** ***DEFINED BENEFIT PENSION PLAN*** (Continued)

**General Information about the Pension Plan**

*Plan description.* Eligible employees of the Academy are provided with pensions through the School Division Trust Fund (SCHDTF)—a cost-sharing multiple-employer defined benefit pension plan administered by PERA. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (C.R.S.), administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at www.copera.org/investments/pera-financial-reports.

*Benefits provided.* PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

The lifetime retirement benefit for all eligible retiring employees under the PERA Benefit Structure is the greater of the:

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit

- The value of the retiring employee's member contribution account plus a 100 percent match on eligible amounts as of the retirement date. This amount is then annuitized into a monthly benefit based on life expectancy and other actuarial factors.

In all cases the service retirement benefit is limited to 100 percent of highest average salary and also cannot exceed the maximum benefit allowed by federal Internal Revenue Code.

Members may elect to withdraw their member contribution accounts upon termination of employment with all PERA employers; waiving rights to any lifetime retirement benefits earned.

If eligible, the member may receive a match of either 50 percent or 100 percent on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether 5 years of service credit has been obtained and the benefit structure under which contributions were made.

**NOTE 7:** ***DEFINED BENEFIT PENSION PLAN*** (Continued)

**General Information about the Pension Plan** (Continued)

Benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments (COLAs), referred to as annual increases in the C.R.S. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 and all benefit recipients of the DPS benefit structure receive an annual increase of 2 percent, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 receive an annual increase of the lesser of 2 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve for the SCHDTF.

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. The disability benefit amount is based on the retirement benefit formula shown above considering a minimum 20 years of service credit, if deemed disabled. Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure(s) under which service credit was obtained, and the qualified survivor(s) who will receive the benefits.

**NOTE 7: *DEFINED BENEFIT PENSION PLAN*** (Continued)

**General Information about the Pension Plan** (Continued)

*Contributions.* Eligible employees and the Academy are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. § 24-51-401, *et seq.* Eligible employees are required to contribute 8 percent of their PERA-includable salary. The employer contribution requirements are summarized in the table below:

| | For the Year Ended December 31, 2014 | For the Year Ended December 31, 2015 |
|---|---|---|
| Employer Contribution Rate[1] | 10.15% | 10.15% |
| Amount of Employer Contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f) [1] | (1.02)% | (1.02)% |
| Amount Apportioned to the SCHDTF[1] | 9.13% | 9.13% |
| Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 [1] | 3.80% | 4.20% |
| Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 [1] | 3.50% | 4.00% |
| Total Employer Contribution Rate to the SCHDTF[1] | 16.43% | 17.33% |

[1]Rates are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the Academy is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF School were $233,561 for the year ended June 30, 2015.

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

At June 30, 2015 the Academy reported a liability of $7,235,543 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013. Standard update procedures were used to roll forward the total pension liability to December 31, 2014. The Academy's proportion of the net pension liability was based on the Academy's contributions to the SCHDTF for the calendar year 2014 relative to the total contributions of participating employers to the SCHDTF.

**NOTE 7:** ***DEFINED BENEFIT PENSION PLAN*** (Continued)

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** (Continued)

At December 31, 2014, the Academy's proportion was 0.05339%, which was an increase of 0.00244% from its proportion measured as of December 31, 2013.

For the year ended June 30, 2015 the Academy recognized pension expense of $627,822. At June 30, 2015, the Academy reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Difference between expected and actual experience | N/A | $ 540 |
| Net difference between projected and actual earnings on pension plan investments | $ 166,394 | N/A |
| Changes in proportion and differences between contributions recognized and proportionate share of contributions | $ 226,936 | N/A |
| Contributions subsequent to the measurement date | $ 195,935 | N/A |
| Total | $ 589,265 | $ 540 |

$195,935 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| **Year ended June 30, 2015** | |
|---|---|
| 2016 | $ 125,449 |
| 2017 | $ 125,449 |
| 2018 | $ 100,294 |
| 2019 | $ 41,598 |

**NOTE 7:** ***DEFINED BENEFIT PENSION PLAN*** (Continued)

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** (Continued)

*Actuarial assumptions.* The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions and other inputs:

| | |
|---|---|
| Price inflation | 2.80% |
| Real wage growth | 1.10% |
| Wage inflation | 3.90% |
| Salary increases, including wage inflation | 3.90%-10.10% |
| Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation | 7.50% |
| Future post-retirement benefit increases: | |
| PERA Benefit Structure hired prior to 1/1/07; and DPS Benefit Structure (automatic) | 2.00% |
| PERA Benefit Structure hired after 12/31/06 (ad hoc, substantively automatic) | Financed by the Annual Increase Reserve |

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with Males set back 1 year, and Females set back 2 years.

The actuarial assumptions used in the December 31, 2013 valuation were based on the results of an actuarial experience study for the period January 1, 2008 through December 31, 2011, adopted by PERA's Board on November 13, 2012, and an economic assumption study, adopted by PERA's Board on November 15, 2013 and January 17, 2014.

The SCHDTF's long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were 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 then adding expected inflation.

As of the most recent analysis of the long-term expected rate of return, presented to the PERA Board on November 15, 2013, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

**NOTE 7: *DEFINED BENEFIT PENSION PLAN*** (Continued)

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** (Continued)

| **Asset Class** | **Target Allocation** | **10 Year Expected Geometric Real Rate of Return** |
|---|---|---|
| U.S. Equity – Large Cap | 26.76% | 5.00% |
| U.S. Equity – Small Cap | 4.40% | 5.19% |
| Non U.S. Equity – Developed | 22.06% | 5.29% |
| Non U.S. Equity – Emerging | 6.24% | 6.76% |
| Core Fixed Income | 24.05% | 0.98% |
| High Yield | 1.53% | 2.64% |
| Long Duration Gov't/Credit | 0.53% | 1.57% |
| Emerging Market Bonds | 0.43% | 3.04% |
| Real Estate | 7.00% | 5.09% |
| Private Equity | 7.00% | 7.15% |
| Total | 100.00% | |

* In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.50%.

*Discount rate.* The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the fixed statutory rates specified in law, including current and future AED and SAED, until the Actuarial Value Funding Ratio reaches 103 percent, at which point, the AED and SAED will each drop 0.50 percent every year until they are zero. Based on those assumptions, the SCHDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current 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. The discount rate determination does not use the Municipal Bond Index Rate. There was no change in the discount rate from the prior measurement date.

**NOTE 7:** ***DEFINED BENEFIT PENSION PLAN*** (Continued)

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** (Continued)

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

| | 1% Decrease (6.50%) | Current Discount Rate (7.50%) | 1% Increase (8.50%) |
|---|---|---|---|
| Proportionate share of the net pension liability | $ 9,540,724 | $ 7,235,543 | $ 5,306,067 |

*Pension plan fiduciary net position.* Detailed information about the SCHDTF's fiduciary net position is available in PERA's comprehensive annual financial report which can be obtained at www.copera.org/investments/pera-financial-reports.

**Other Post-Employment Benefits**

Health Care Trust Fund

*Plan Description* – The School contributes to the Health Care Trust Fund ("HCTF"), a cost-sharing multiple-employer healthcare trust administered by PERA. The HCTF benefit provides a health care premium subsidy and health care programs (known as PERACare) to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the C.R.S., as amended, establishes the HCTF and sets forth a framework that grants authority to the PERA Board to contract, self-insure and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of health care subsidies. PERA issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the HCTF. That report can be obtained at www.copera.org/investments/pera-financial-reports.

*Funding Policy* – The School is required to contribute at a rate of 1.02 percent of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the School are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the years ending June 30, 2015, 2014 and 2013, the Academy's employer contribution to the HCTF was $30,032, $22,488 and $20,489, respectively, equal to their required contribution for the year.

## NOTE 8: ***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, 2015, 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, 2015, the reserve of $136,994 was recorded as a reservation of fund balance in the General Fund. The District also holds $136,994 in pooled cash on behalf of the Academy for this reserve.

## NOTE 9: ***RESTATEMENT OF NET POSITION***

The Beginning Net Position of the Government Type Activities was decreased by $6,329,531 to ($3,360,346) as the Academy implemented Governmental Accounting Standards Board Statement (GASB) No. 68.

## NOTE 10: ***DEFICIT NET POSITION***

The Net Position of the government type activities is in a deficit position of $3,173,027 due to the Academy including the Net Pension Liability per GASB No. 68.

# REQUIRED SUPPLEMENTARY INFORMATION

LINCOLN ACADEMY

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2015

| | 2015 | | | | |
|---|---|---|---|---|---|
| | ORIGINAL BUDGET | ORIGINAL & FINAL BUDGET | ACTUAL | VARIANCE Positive (Negative) | 2014 ACTUAL |
| REVENUES | | | | | |
| Local Sources | | | | | |
| Per Pupil Revenue | $ 3,641,849 | $ 4,246,822 | $ 3,527,159 | $ (719,663) | $ 3,674,513 |
| Mill Levy Override | - | - | 655,180 | 655,180 | 140,039 |
| Charges for Services | 324,040 | 324,800 | 301,457 | (23,343) | 312,613 |
| Donations | 13,200 | 42,500 | 43,584 | 1,084 | 37,436 |
| Other | 43,600 | 47,450 | 101,632 | 54,182 | 102,703 |
| State Sources | | | | | |
| Grants and Donations | 52,727 | 94,728 | 153,474 | 58,746 | 100,050 |
| TOTAL REVENUES | 4,075,416 | 4,756,300 | 4,782,486 | 26,186 | 4,367,354 |
| EXPENDITURES | | | | | |
| Salaries | 2,362,880 | 2,522,623 | 2,496,659 | 25,964 | 2,260,437 |
| Employee Benefits | 538,757 | 573,305 | 541,765 | 31,540 | 468,176 |
| Purchased Services | 944,049 | 977,452 | 851,761 | 125,691 | 1,255,367 |
| Supplies and Materials | 169,000 | 230,650 | 216,860 | 13,790 | 201,457 |
| Property | - | 190,190 | 214,333 | (24,143) | 47,041 |
| Debt Service | | | | | |
| Principal | - | - | 50,000 | (50,000) | 30,000 |
| TOTAL EXPENDITURES | 4,014,686 | 4,494,220 | 4,371,378 | 122,842 | 4,262,478 |
| NET CHANGE IN FUND BALANCE | 60,730 | 262,080 | 411,108 | 149,028 | 104,876 |
| FUND BALANCE, Beginning | - | - | 839,271 | 839,271 | 734,395 |
| FUND BALANCE, Ending | $ 60,730 | $ 262,080 | $ 1,250,379 | $ 988,299 | $ 839,271 |

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

LINCOLN ACADEMY

SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE
SCHOOL DISTRICT TRUST FUND

Years Ended December 31,

| | 2013 | 2014 |
|---|---|---|
| School's proportionate share of the Net Pension Liability | 0.051% | 0.053% |
| School's proportionate share of the Net Pension Liability | $ 6,498,334 | $ 7,235,543 |
| School's covered-employee payroll | $ 2,120,532 | $ 2,277,130 |
| School's proportionate share of the Net Pension Liability as a percentage of its covered-employee payroll | 306.4% | 317.7% |
| Plan fiduciary net position as a percentage of the total pension liability | 64.1% | 62.8% |

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

LINCOLN ACADEMY

SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS
SCHOOL DISTRICT TRUST FUND

Years Ended June 30,

| | 2014 | 2015 |
|---|---|---|
| Statutorily required contributions | $ 385,625 | $ 440,350 |
| Contributions in relation to the Statutorily required contributions | 385,625 | 440,350 |
| Contribution deficiency (excess) | $ - | $ - |
| School's covered-employee payroll | $ 2,204,736 | $ 2,402,608 |
| Contributions as a percentage of covered-employee payroll | 17.49% | 18.33% |

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