

ANIMAS HIGH SCHOOL

BASIC FINANCIAL STATEMENTS
AND REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2014

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Management's Discussion and Analysis October 31, 2014

As management of Animas High School (AHS or the "school"), we offer readers of Animas High School's financial statements this narrative overview and analysis of the financial activities of the school for the fiscal year ended June 30, 2014.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Animas High School's basic financial statements. Animas High School'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 school is a 501c(3) non-profit corporation engaged in a single governmental program.

Government-wide Financial Statements - The government-wide financial statements are designed to provide readers with a broad overview of Animas High School's finances, in a manner similar to a private-sector business. The Statement of Net Position presents information on all Animas High School'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. The Statement of Activities presents information showing how Animas High School's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods.

In the Statement of Net Position and the Statement of Activities, we divide the School into two kinds of activities:

- Governmental activities – Most of the School's day-to-day activities are reported here.
- Business-type activities – The building corporation, which has been charged with the acquiring, leasing, constructing, improving, equipping and financing various facilities, land, equipment and other improvements on behalf of the School, activities are reported here.

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 school, like other non-profits, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.



The School's two kinds of funds, governmental and proprietary, uses different accounting approaches.

- Governmental funds – Most of the School's basic day-to-day activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are nonspendable, restricted, committed, assigned, or unassigned. These classifications of fund balance show the nature and extent of constraints placed on the School's fund balances by law, creditors and the School's annually adopted budget. Unassigned fund balance is available for spending for any purpose. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. Governmental funds focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.
- Proprietary funds – These funds are reported in the same way that the business-type activities are reported in the Statement of Net Position and the Statement of Net Activities in the government-wide statements but provided more detail and additional information, such as cash flows.

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

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. The Notes to the Financial Statements can be found on pages 15 through 25 of this report.

Supplementary Information - Supplementary information is contained on pages 26 and 27 and provides additional insight into how Animas High School's actual operations compared to the budgeted operations.

Government-wide Financial Analysis - Animas High School's primary source of revenue is the state equalization revenue from the Colorado Department of Education. These revenues are based on a per pupil allocation as determined by the Colorado State Legislature. The state per pupil revenue allocation increased by \$6,517 for the year ended June 30, 2014. Animas High School's enrollment increased to a total of 269 students, encompassing four classes. Other sources of revenues include donations, student fees and smaller program specific State and Federal grants.

As Animas High School continues to increase student numbers in all grade levels, the instructional, administrative and facilities expenses increase. Staffing increased from 27 full-time equivalents to 33 full-time equivalents during the year ended June 30, 2014. Increases in non-payroll expenditures can be attributed to additional instructional supplies and equipment. Facilities expenses including leasehold improvements and rent and utilities continue to be significant to the School's operation; for the year ended June 30, 2014 these expenses were \$49,882 and 274,376, respectively, and are recorded in supporting services.



The following table shows AHS' condensed Statement of Net Position – Governmental Activities and Statement of Activities – Governmental Activities for the years ended June 30, 2014 and 2013:

Animas High School- Statement of Net Position - June 30,	<u>2014</u>	<u>2013</u>
Cash	\$ 822,736	\$ 491,897
Accounts and Grants Receivable	67,210	1,089
Other Current Assets	1,377	-
Capital Assets, net of accumulated depreciation	<u>41,787</u>	<u>61,011</u>
Total Assets	<u>\$ 933,110</u>	<u>\$ 553,997</u>
Accounts Payable	\$ 10,547	\$ 7,141
Accrued Expenses	64,196	11,390
Deferred Revenue	<u>743,665</u>	<u>209,340</u>
Total Liabilities	<u>818,408</u>	<u>227,871</u>
Unrestricted	7,090	117,428
Restricted	<u>107,612</u>	<u>208,698</u>
Total Net Position	<u>114,702</u>	<u>326,126</u>
Total Liabilities and Net Position	<u>\$ 933,110</u>	<u>\$ 553,997</u>
Animas High School- Statement of Activities- June 30,	<u>2014</u>	<u>2013</u>
REVENUES		
State Equalization	\$ 1,710,045	\$ 1,485,088
Operating Grants and Contributions	365,907	323,851
Capital Grants and Contributions	25,529	150,675
Donations and Fundraising	11,351	85,773
Other	<u>127,685</u>	<u>21,429</u>
Total Revenues	<u>2,240,517</u>	<u>2,066,816</u>
EXPENDITURES		
Instruction	1,384,129	1,084,399
Supporting Services	<u>1,067,812</u>	<u>947,057</u>
Total Expenditures	<u>2,451,941</u>	<u>2,031,456</u>
Excess of Revenues over Expenditures	(211,424)	35,360
NET ASSETS-Beginning of Year	<u>326,126</u>	<u>290,766</u>
NET ASSETS- End of Year	<u>\$ 114,702</u>	<u>\$ 326,126</u>



As noted previously, Animas High School uses governmental fund accounting to ensure and demonstrate the compliance with finance-related legal requirements. The focus of the school's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing Animas High School's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

Tabor Reserve - The Taxpayers Bill of Rights law requires governmental entities to reserve 3% of its state revenues. Accordingly, a reserve of fund balance in the amount of \$56,251 has been established in these financials.

Request for Information

This financial report is designed to provide a general overview of the schools financial position. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Jake Lauer, Head of School or Melissa Youssef, Board President of Animas High School, PO Box 4414, Durango, Colorado, 81302.

Jake Lauer
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Animas High School
Durango, Colorado

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of Animas High School, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Animas High School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities and each major fund of Animas High School, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flow 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 pages 1-4 and 26-27 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.



Parker, Colorado
October 31, 2014

BASIC FINANCIAL STATEMENTS

ANIMAS HIGH SCHOOL
STATEMENT OF NET POSITION
JUNE 30, 2014

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Cash	\$ 822,736	\$ 22,845	\$ 845,581
Accounts receivable	5,379	-	5,379
Grants receivable	61,831	-	61,831
Prepaid expenses	427	-	427
Deposits	950	-	950
Capital assets, net of accumulated depreciation	41,787	3,393,243	3,435,030
 Total Assets	 \$ 933,110	 \$ 3,416,088	 \$ 4,349,198
 LIABILITIES:			
Accounts payable	\$ 10,547	\$ -	\$ 10,547
Accrued expenses	64,196	22,634	86,830
Unearned revenue	743,665	-	743,665
Noncurrent liabilities			
Due in one year	-	74,499	74,499
Due in more than one year	-	2,855,669	2,855,669
 Total Liabilities	 818,408	 2,952,802	 3,771,210
 NET POSITION:			
Investment in capital assets, net of related debt	41,787	463,075	504,862
Restricted for Tabor	56,251	-	56,251
Temporarily restricted	9,574	-	9,574
Unrestricted	7,090	211	7,301
 Total Net Position	 \$ 114,702	 \$ 463,286	 \$ 577,988

ANIMAS HIGH SCHOOL
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014

<u>FUNCTIONS/PROGRAMS</u>	<u>Expenses</u>	<u>PROGRAM REVENUES</u>			<u>NET (EXPENSES) REVENUE AND CHANGE IN NET POSITION</u>		<u>Total</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	
PRIMARY GOVERNMENT							
Governmental Activities:							
Instructional	\$ 1,384,129	\$ 125,931	\$ -		\$ (1,258,198)	\$ -	\$ (1,258,198)
Supporting services	867,205	-	365,907	25,529	(475,769)	-	(475,769)
Total Governmental Activities	<u>2,251,334</u>	<u>125,931</u>	<u>365,907</u>	<u>25,529</u>	<u>(1,733,967)</u>	<u>-</u>	<u>(1,733,967)</u>
Business-type Activities:							
Building corporation	89,296	-	-	-	-	(89,296)	(89,296)
Interest on long-term debt	164,422	-	-	-	-	(164,422)	(164,422)
Total Business-type Activities	<u>253,718</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(253,718)</u>	<u>(253,718)</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 2,505,052</u>	<u>\$ 125,931</u>	<u>\$ 365,907</u>	<u>\$ 25,529</u>	<u>(1,733,967)</u>	<u>(253,718)</u>	<u>(1,987,685)</u>
GENERAL REVENUES:							
					1,710,045	-	1,710,045
					-	516,397	516,397
					11,351	-	11,351
					1,052	-	1,052
					702	-	702
					(200,607)	200,607	-
					<u>1,522,543</u>	<u>717,004</u>	<u>2,239,547</u>
					(211,424)	463,286	251,862
					<u>326,126</u>	<u>-</u>	<u>326,126</u>
					<u>\$ 114,702</u>	<u>\$ 463,286</u>	<u>\$ 577,988</u>

ANIMAL HIGH SCHOOL
BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2014

	<u>General Fund</u>
ASSETS:	
Cash	\$ 822,736
Grants and accounts receivable	67,210
Deposit	950
Prepaid expenses	<u>427</u>
Total Assets	<u><u>\$ 891,323</u></u>
LIABILITIES:	
Accounts payable	\$ 10,547
Accrued expenses	64,196
Deferred revenues	<u>743,665</u>
Total Liabilities	<u>818,408</u>
FUND BALANCE:	
Nonspendable	427
Restricted for Tabor	56,251
Unassigned	6,663
Temporarily restricted	<u>9,574</u>
Total Fund Balance	<u>72,915</u>
Total Liabilities and Fund Balance	<u><u>\$ 891,323</u></u>
 Amounts reported Statement of Net Position - Governmental Activities differ because:	
Fund Balance	\$ 72,915
Capital assets used in Governmental Activities are not financial resources, and therefore, are not reported in the funds.	<u>41,787</u>
Net Position - Governmental Activities	<u><u>\$ 114,702</u></u>

ANIMAS HIGH SCHOOL
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGE IN FUND BALANCE - GOVERNMENTAL FUND
YEAR ENDED JUNE 30, 2014

	General Fund
REVENUES:	
Local Sources	\$ 322,401
State and Federal Sources	1,918,116
Total Revenues	2,240,517
EXPENDITURES:	
Current	
Instructional	1,374,164
Supporting services	1,058,553
Total Expenditures	2,432,717
Net Change in Fund Balance	(192,200)
FUND BALANCE, Beginning	265,115
FUND BALANCE, Ending	\$ 72,915

ANIMAS HIGH SCHOOL
**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGE IN FUND BALANCE -
GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES**
YEAR ENDED JUNE 30, 2014

Amounts reported Statement of Activities - Governmental Activities differ because:

Net Change in Fund Balance - Governmental Fund	\$ (192,200)
<p>Capital outlays to purchase or build capital assets are reported in Governmental Funds as expenditures. However, for Governmental Activities those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.</p>	
Current year depreciation	(22,424)
Current year capital outlays	<u>3,200</u>
Change in Net Position - Governmental Activities	<u><u>\$ (211,424)</u></u>

ANIMAS HIGH SCHOOL
STATEMENT OF NET POSITION
PROPRIETARY FUND TYPE
JUNE 30, 2014

	Building Corporation
ASSETS:	
Current Assets	
Cash	\$ 22,845
Total Current Assets	22,845
Noncurrent Assets	
Capital assets, net of accumulated depreciation	3,393,243
Total Noncurrent Assets	3,393,243
Total Assets	\$ 3,416,088
LIABILITIES:	
Current Liabilities	
Deferred revenue	\$ 22,634
Current portion of long-term debt	74,499
Total Current Liabilities	97,133
Noncurrent Liabilities	
Due in more than one year	2,855,669
Total Noncurrent Liabilities	2,855,669
Total Liabilities	2,952,802
NET POSITION:	
Investment in capital assets, net of related debt	463,075
Unrestricted	211
Total Net Position	\$ 463,286

ANIMAS HIGH SCHOOL
STATEMENT OF REVENUES, EXPENSES
AND CHANGE IN FUND BALANCE - PROPRIETARY FUND TYPE
YEAR ENDED JUNE 30, 2014

	Building Corporation
OPERATING REVENUES:	
Contribution income	\$ 516,397
Lease revenue	200,607
Total Operating Revenues	717,004
OPERATING EXPENSES:	
Depreciation	89,296
Total Operating Expenses	89,296
Operating Income	627,708
NON-OPERATING EXPENSES:	
Interest expense	164,422
Total Non-Operating Expenses	164,422
Net Income	463,286
FUND BALANCE, Beginning	-
FUND BALANCE, Ending	\$ 463,286

ANIMAS HIGH SCHOOL
STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPE
YEAR ENDED JUNE 30, 2014

	<u>Building Corporation</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received	\$ 717,215
Cash held in escrow	22,634
Interest paid	<u>(164,422)</u>
Net Cash Provided by Operating Activities	<u>575,427</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of fixed asset	<u>(516,397)</u>
Net Cash Used by Investing Activities	<u>(516,397)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Principal payments	<u>(36,185)</u>
Net Cash Used by Financing Activities	<u>(36,185)</u>
Net Increase in Cash	22,845
Cash, Beginning	<u>-</u>
Cash, Ending	<u><u>\$ 22,845</u></u>
RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Net Income	\$ 463,286
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	89,296
Loan transfer to operating account	211
Change in assets and liabilities:	
Deferred revenue	<u>22,634</u>
Net cash provided by operating activities	<u>575,427</u>
NON CASH ACTIVITIES:	
Purchase of fixed asset	<u><u>\$ 2,966,142</u></u>
Loan proceeds	<u><u>\$ 2,966,142</u></u>

ANIMAS HIGH SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Animas High School (AHS or the School), a Colorado non-profit corporation, was created in 2006 for the sole purpose of developing and operating a public, free charter school located in Durango, Colorado.

AHS complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements, the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) requirements have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

Financial Reporting Entity

The financial reporting entity consists of the School and organizations for which the School is financially accountable. Financial accountability exists if the School 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 School.

The Animas High School Building Corporation (AHSBC or the Corporation) is considered to be financially accountable to the School. The purpose of the Corporation is to hold title to property and facilitate the acquiring, leasing, constructing, improving, equipping and financing various facilities, land, equipment and other improvements in connection with property to be leased to the School. The Corporation is considered to be part of the School for financial reporting purposes because its resources are entirely for the direct benefit of the School and is blended into the School's financial statements as a proprietary fund. Separate financial statements are not available.

AHS is managed under the direction of the Board of Directors. All Directors have been elected, appointed, or designated.

The School's mission and core values are to prepare students for post-secondary success by creating critical thinkers and engaged, service-oriented citizens able to meet the challenges of the 21st century. This is accomplished through:

- A rigorous academic program that inspires a love of learning and teaches habits of success.
- Engaging students through project-based learning and community partnerships that make education uniquely relevant to students.

ANIMAS HIGH SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

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

Financial Reporting Entity (Continued)

- A commitment to a collaborative environment within the school.
- A culture of excellence that challenges yet supports each student.
- The utilization of applied technology.
- A small school environment where strong faculty-student relationships develop.

In preparing students for post-secondary success, Animas High School fosters the fundamental attributes of compassion, respect, integrity and resilience. Students are held to high standards of personal responsibility, as demonstrated by their attitudes, behaviors and scholarship. Ultimately, students will become effective citizens, contributing competently and energetically to the world around them.

Basis of Presentation

Government-wide and Fund Financial Statements:

The Statement of Net Position and Statements of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds (of which AHS has none). The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues.

The Statement of Activities demonstrates the degree to which the direct expenses of the given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment.

Program revenues include charges to students or others who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

Unrestricted intergovernmental revenues not included among program revenue are reported instead as general revenues.

ANIMAS HIGH SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**
Government-wide and Fund Financial Statements (Continued):

The School reports the following major governmental fund:

General Fund – This fund is the general operating fund of the School. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Additionally, the School reports the following major proprietary fund:

The Building Corporation Fund – This fund is used to account for the activities of the Building Corporation.

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus:

In the government-wide financial statements, governmental activities are presented using the economic resources measurement focus as defined in item b. below.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

- a. Current Financial Resources - Only current financial assets and liabilities are generally included on the balance sheet. Operating statements present sources and uses of available spendable financial resources during a given period. The fund uses a fund balance as the measure of available spendable financial resources at the end of the period.
- b. Economic Resources - The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported.

ANIMAS HIGH SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting (Continued)

Basis of Accounting:

In the government-wide financial statements, governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred.

Assets, Liabilities and Net Position/Fund Balance

Cash:

For the purpose of both the government-wide and fund financial statements, “cash” includes the checking and savings accounts for AHS.

Receivables:

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received.

In the fund financial statements, grants receivables in governmental funds include revenue accruals such as grants and other similar intergovernmental revenues since they are usually both measurable and available.

Prepaid Expenses:

Payments made to vendors for services that will benefit periods beyond the current year are recorded as prepaid expenses. Expenditures are reported in the year in which the services are consumed.

Capital Assets:

In the government-wide financial statements, fixed assets are accounted for as capital assets. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation. AHS' policy is to capitalize all capital assets with a unit value of \$1,000 or greater. Repairs and maintenance expenses are charged as expenditures when incurred.

ANIMAS HIGH SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Capital Assets:

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets estimated useful lives using the straight-line method of depreciation. Capital assets are depreciated over their estimated useful lives of three to thirty-nine years.

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Unearned Revenue:

Unearned revenue includes amounts received but not available to recognize as revenue as the related expenses have not been incurred.

Net Position:

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

- a. Investment in capital assets – Reflects the portion of net position which are associated with non-liquid, capital assets less outstanding capital asset related debt. The net related debt is the debt less the outstanding liquid assets and any associated unamortized cost.
- b. Restricted for Tabor – Consists of the Tabor Reserve Fund which requires AHS to maintain a reserve for emergencies equal to 3% of the eligible annual revenues as required by law.
- c. Unrestricted – Represents assets that do not have any third party limitation on their use.

Fund Balance:

The fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the School is bound to honor constraints on the specific purpose for which amounts in the respective funds can be used. The classifications used in the fund financial statements are as follows:

- a. Nonspendable – This classification includes amounts that cannot be spent because they are not in a spendable form. Prepaid expenses are classified as nonspendable.

ANIMAS HIGH SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fund Balance (Continued):

b. Restricted– Consists of the Tabor Reserve Fund which requires AHS to maintain a reserve for emergencies equal to 3% of the eligible annual revenues as required by law. The School also has amounts for which constraints have been placed on the use of the resource.

c. Unassigned – Represents assets that do not have any third party limitation on their use.

The School would typically use restricted fund balances first, followed by committed resources and assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend the unassigned fund balance.

Use of Estimates

The preparation of the basic financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Concentration of Credit Risk

AHS' financial instruments that are exposed to concentrations of credit risk consist of cash and accounts receivable. AHS places its cash with high credit quality institutions. AHS routinely assesses the financial strength of its donors and, as a consequence, believes that its accounts receivable credit risk exposure is limited.

Risk Management

The School is exposed to various risks of loss related to torts; theft of, damage to, and destructions of assets; injuries to employees; and natural disasters. The School purchases commercial insurance for these risks of loss.

NOTE 2 DETAIL NOTES ON TRANSACTIONS/ACCOUNTS

Cash

As of June 30, 2014, the School had the following cash:

Checking and savings	\$ 854,546
Petty cash	<u>35</u>
Total	<u>\$ 845,581</u>

ANIMAS HIGH SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

NOTE 2 **DETAIL NOTES ON TRANSACTIONS/ACCOUNTS (Continued)**

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires local government entities to deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The 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 uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

Capital Assets

Capital assets activity for the year ended June 30, 2014 is as follows:

	Balance			Balance
<u>Governmental Activities:</u>	<u>June 30, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2014</u>
<u>Capital Assets:</u>				
FFE	\$ 126,900	\$ 3,200	-	\$ 130,100
Total Capital Assets	<u>126,900</u>	<u>3,200</u>	<u>-</u>	<u>130,100</u>
 <u>Accumulated Depreciation:</u>				
FFE	<u>65,889</u>	<u>22,424</u>	<u>-</u>	<u>88,313</u>
Total Accumulated Depreciation	<u>65,889</u>	<u>22,424</u>	<u>-</u>	<u>88,313</u>
 Net Capital Assets	 <u>\$ 61,011</u>			 <u>\$ 41,787</u>
 <u>Business-type Activities:</u>				
<u>Capital Assets:</u>				
Building	\$ -	\$ 3,482,539	\$ -	\$ 3,482,539
Total Capital Assets	<u>-</u>	<u>3,482,539</u>	<u>-</u>	<u>3,482,539</u>
 <u>Accumulated Depreciation:</u>				
Building	<u>-</u>	<u>89,296</u>	<u>-</u>	<u>89,296</u>
Total Accumulated Depreciation	<u>-</u>	<u>89,296</u>	<u>-</u>	<u>89,296</u>
 Net Capital Assets	 <u>\$ -</u>			 <u>\$ 3,393,243</u>

ANIMAS HIGH SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

NOTE 2 DETAIL NOTES ON TRANSACTIONS/ACCOUNTS (Continued)

Capital Assets (Continued)

Depreciation expense in the Statement of Activities - Governmental Activities for the Instructional and Supporting Services programs was \$9,965 and \$12,459, respectively.

Depreciation expense in the Statement of Activities - Business-type Activities was \$89,296.

Unearned Revenue

Unearned revenue represents funds the School received from funding agencies and private contributors with specific spending requirements as well as student fees collected for the next school year. As of June 30, 2014, AHS had the following deferred revenue:

Contributions and grants	\$	713,608
2014 - 2015 Student fees		<u>30,057</u>
Total		<u>\$ 743,665</u>

Long-term Debt

The Corporation entered into a note payable for the construction of a school for AHS; the debt matures April 2017, carries an interest rate of 6.250% and has monthly payments of \$20,028. The monthly payments are made by the School via the lease agreement entered into by and between the School and Corporation (See Note 5).

The following is the maturity of the long-term debt:

June 30, 2015	\$	74,499
June 30, 2016		63,663
June 30, 2017		<u>2,792,006</u>
Total		<u>\$ 2,930,168</u>

Temporarily Restricted Fund Balance

Temporarily restricted fund balance consists of contributions received from funding agencies or individuals which have been earmarked for specific uses. As of June 30, 2014, the School had the following temporarily restricted net assets:

Development - Grant Writing	\$	9,025
Capital Campaign		<u>549</u>
Total		<u>\$ 9,574</u>

ANIMAS HIGH SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

NOTE 3 **DEFINED BENEFIT PENSION PLAN**

Plan Description

The School 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 School are members of the SDTF. Title 24, Article 51 of the Colorado Revised Statutes (CRS), as amended, assigned the authority to establish benefit provisions to the State Legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for the SDTF.

That report may be obtained online at www.copera.org or by writing to Colorado PERA, 1300 Logan Street, Denver, Colorado 80203, or by calling PERA at 303-832-9550 or 1-800-795-PERA (7372).

Funding Policy

The School is required to contribute member and employer contributions to PERA at a rate set by statute. The contribution requirements of plan members and the School are established under Title 24, Article 51, Part 4 of the CRS, as amended. The contribution rate for members was 8% of covered salaries. The School's contribution rate for calendar years 2013 and 2014 was 16.55% and 17.45% of covered salaries, respectively. A portion of the School's contribution (1.02% of covered salaries) is allocated to the Health Care Trust Fund (See Note 4). The School's contributions to the SDTF for the year ended June 30, 2014, were \$216,607, equal to the required contributions.

NOTE 4 **POSTEMPLOYMENT HEALTHCARE BENEFITS**

Plan Description

The School contributes to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer postemployment healthcare plan administered by the 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 by contacting PERA as described previously.

ANIMAS HIGH SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

NOTE 4 **POSTEMPLOYMENT HEALTHCARE BENEFITS (Continued)**

Funding Policy

The School is required to contribute at a rate of 1.02% of covered salaries for all PERA members as set by statute. No member contributions are required. The apportionment of the contribution to the HCTF is established under Title 24, Article 51, Section 208 of the CRS, as amended. The School's apportionment to the HCTF for the year ended June 30, 2014, was \$13,826, equal to the required amounts.

NOTE 5 **COMMITMENTS AND CONTINGENCIES**

Lease Commitment

The School entered into a lease agreement with the Corporation to lease the school for a monthly payment equal to the monthly loan payment of \$20,028. The lease is scheduled to terminate on the earlier of:

- a. the exercise of the School of the option to acquire the school site or
- b. seven years from the occupancy date of July 1, 2013.

Occupancy expense for the year ended June 30, 2014 was \$200,607; this includes three monthly payments of interest only payments per the loan agreement.

Taxpayer's Bill of Rights (TABOR)

In November 1992, Colorado voters amended Article X of the Colorado Constitution by adding Section 20, commonly known as the Taxpayer's Bill of Rights (TABOR). TABOR contains revenue, spending, tax and debt limitations that apply to the State of Colorado and local governments. TABOR requires, with certain exceptions, advance voter approval for any new tax, tax rate increase, mill levy above that for the prior year, extension of an expiring tax, or tax policy change directly causing a net tax revenue gain to any local government.

Current Vulnerability Due to Certain Concentrations and Uncertainties

The School is dependent on various government agencies for funding and is responsible for meeting the requirements of such agencies. If the School were to lose students or the related government funding, there could be a substantial effect on its ability to continue operations.

NOTE 6 **STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Budget and Budgetary Accounting

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

ANIMAS HIGH SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

NOTE 6 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY(Continued)

Budget and Budgetary Accounting (Continued)

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

Legal Compliance

The School's actual expenditures exceeded budget expenditures; therefore, creating a negative net change in fund balance. The Board of Directors has approved an amendment to the budget accepting the actual expenditures in excess of budget expenditures.

NOTE 7 ADJUSTMENTS FROM GOVERNMENTAL FUND FINANCIAL STATEMENTS TO GOVERNMENT-WIDE FINANCIAL STATEMENTS

The following adjustment is required to convert the government fund financial statements to the government-wide financial statements:

Capital Asset Outlays

Fund financials report capital outlay as expenditures. However, in the Statement of Net Position and Activities, the cost of those assets is capitalized and depreciated over their estimated useful lives.

This is the net book value of the capital outlays being capitalized and depreciated.

\$ 3,435,050

This is the amount by which current year outlays exceed current year depreciation.

\$ 3,374,019

NOTE 8 EVALUATION OF SUBSEQUENT EVENTS

The School has evaluated subsequent events through October 31, 2014, the date which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

ANIMAS HIGH SCHOOL
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
YEAR ENDED JUNE 30, 2014

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues:			
Local Sources:			
Cash donations	\$ 413,088	\$ 183,365	\$ (229,723)
In-Kind donations	-	702	702
Student fees and activities	61,880	125,931	64,051
Fundraising	3,000	11,351	8,351
Interest	-	1,052	1,052
	<u>477,968</u>	<u>322,401</u>	<u>(155,567)</u>
State Sources:			
State equalization	1,759,590	1,710,045	(49,545)
Other grants	101,250	107,654	6,404
Special education grants	30,531	31,801	1,270
Capital construction grants	26,000	25,529	(471)
	<u>1,917,371</u>	<u>1,875,029</u>	<u>(42,342)</u>
Federal Sources:			
Special education grants	43,086	43,086	-
Other grants	700	-	(700)
	<u>43,786</u>	<u>43,086</u>	<u>(700)</u>
Total Revenues	<u>2,439,125</u>	<u>2,240,516</u>	<u>(198,609)</u>
Expenditures:			
Instructional Services:			
Salaries and benefits	1,261,270	1,280,765	(19,495)
Materials, supplies and purchased services	51,900	93,398	(41,498)
	<u>1,313,170</u>	<u>1,374,163</u>	<u>(60,993)</u>
Total Instructional	<u>1,313,170</u>	<u>1,374,163</u>	<u>(60,993)</u>
Supporting Services:			
Instructional Improvement			
Salaries and benefits	109,500	117,828	(8,328)
Materials, supplies and purchased services	11,375	16,185	(4,810)
	<u>120,875</u>	<u>134,013</u>	<u>(13,138)</u>
General Administration			
Administrative fees	58,977	38,088	20,889

ANIMAS HIGH SCHOOL
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
YEAR ENDED JUNE 30, 2014

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Administration			
Salaries and benefits	319,863	312,522	7,341
Materials, supplies and purchased services	103,988	137,197	(33,209)
	<u>423,851</u>	<u>449,719</u>	<u>(25,868)</u>
Facilities			
Rent and utilities	277,384	274,376	3,008
Materials, supplies and purchased services	18,100	19,308	(1,208)
Leasehold improvements	24,000	49,882	(25,882)
	<u>319,484</u>	<u>343,566</u>	<u>(24,082)</u>
Development Services			
Salaries and benefits	28,750	9,929	18,821
Materials, supplies and purchased services	36,815	24,509	12,306
	<u>65,565</u>	<u>34,438</u>	<u>31,127</u>
Technology			
Salaries and benefits	25,000	28,280	(3,280)
Materials, supplies and purchased services	20,290	30,449	(10,159)
	<u>45,290</u>	<u>58,729</u>	<u>(13,439)</u>
Total Supporting Services	<u>1,034,042</u>	<u>1,058,553</u>	<u>(24,511)</u>
Total Expenditures	<u>2,347,212</u>	<u>2,432,716</u>	<u>(85,504)</u>
Excess (Deficiency) of Revenues over Expenditures	91,913	(192,200)	(284,113)
Fund Balance - beginning of year	95,383	265,115	169,732
Fund Balance - end of year	<u>\$ 187,296</u>	<u>\$ 72,915</u>	<u>\$ (114,381)</u>