

**THOMAS MACLAREN STATE  
CHARTER SCHOOL**

FINANCIAL STATEMENTS  
With Independent Auditors' Report

For the Year Ended June 30, 2014

**THOMAS MACLAREN STATE CHARTER SCHOOL**  
**TABLE OF CONTENTS**  
**JUNE 30, 2014**

	Page
Independent Auditors' Report	
Management Discussion and Analysis	<i>i</i>
Basic Financial Statements:	
Government-wide Financial Statements	
Statement of Net Position	1
Statement of Activities	2
Fund Financial Statements	
Balance Sheet—General Fund	3
Reconciliation of the Balance Sheet to the Statement of Net Position	4
Statement of Revenues, Expenditures and Change in Fund Balance— General Fund	5
Reconciliation of the Statement of Revenues, Expenditures and Change in Fund Balance of Governmental Funds to the Statement of Activities	6
Notes to Financial Statements	7
Required Supplementary Information:	
Statement of Revenues, Expenditures, and Change in Fund Balance— Budget and Actual—General Fund	17



## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Thomas MacLaren State Charter School

We have audited the accompanying financial statements of the governmental activities and each major fund of Thomas MacLaren State Charter School, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the 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.

### *Auditors' 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 of material misstatement.

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

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

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Thomas MacLaren State Charter School, as of June 30, 2014, and the respective changes in financial

position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As described in Note 1 to the financial statements, in fiscal year 2014, the School adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

***Other-Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information as listed in the table of contents 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.

*Hoelting & Company, Inc.*

Colorado Springs, Colorado  
August 27, 2014

# THOMAS MACLAREN STATE CHARTER SCHOOL

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### FOR FISCAL YEAR ENDED JUNE 30, 2014

As management of Thomas MacLaren State Charter School (the School) we offer readers of the School's annual financial report this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2014. Readers are encouraged to consider the information presented here in conjunction with the annual financial report.

#### FINANCIAL HIGHLIGHTS

- Assets of the School exceeded its liabilities by \$270,945 during the fiscal year resulting in a positive net position balance.
- The School's total net position increased \$101,083.
- As of the close of the current fiscal year, the School's general fund reported an ending fund balance surplus of \$258,743.

#### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to the School's basic financial statements. The School's basic financial statements consist of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains required and other supplementary information in addition to the basic financial statements.

##### **Government-wide Financial Statements**

The *government-wide financial statements* are designed to provide readers with a broad overview of the School's finances as a whole, in a manner similar to a private-sector business and include two statements:

The *statement of net position* presents information on all of the 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 reporting how the 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 result in cash flows in future fiscal periods. Accrued interest expense is an example of this type of item.

Both government-wide financial statements distinguish functions of the School that are principally supported by intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the School include costs of running a sixth through twelfth grade charter school.

## **Fund Financial Statements**

A fund is a grouping of related accounts used to maintain control over resources segregated for specific activities or objectives. The fund financial statements provide more detailed information about the School's operations, focusing on its most significant funds, not the School as a whole. The School has a general fund, which is a governmental fund.

Governmental Funds: The School's basic services are included in this governmental fund, which focuses on (1) how money flows into and out of the fund and (2) the balances left at year-end that are available for spending or reserves. Consequently, the governmental fund statements provide a detailed short-term view that helps determine the status of financial resources that can be spent in the near future to finance the School's programs.

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. Thus, readers may better understand the long-term impact of the School's near-term financing decisions. To facilitate this comparison between governmental funds and governmental activities, reconciliations are provided for both the governmental fund balance sheet and the statement of revenues, expenditures, and changes in fund balance.

## **Notes to the Basic Financial Statements**

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

## **Required Supplementary Information**

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the School. The School adopts an annual appropriated budget for the general fund. A budgetary comparison schedule has been provided to demonstrate compliance with the budget.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of the School's financial position. In the case of the School, total assets exceeded liabilities by \$270,945 as of June 30, 2014 resulting in a positive net asset balance. Of this amount, \$209,943 is unrestricted and, therefore, available for future spending.

**Condensed Statement of Net Position**

	2014	2013
Current and other assets	\$ 357,835	\$ 228,092
Capital assets	<u>12,202</u>	<u>16,269</u>
Total assets	<u>370,037</u>	<u>244,361</u>
Long-term liabilities	-	-
Other liabilities	<u>99,092</u>	<u>74,499</u>
Total liabilities	<u>99,092</u>	<u>74,499</u>
Net position:		
Net investment in capital assets	12,202	16,269
Restricted	48,800	36,000
Unrestricted	<u>209,943</u>	<u>117,593</u>
Total net position	<u>\$ 270,945</u>	<u>\$ 169,862</u>

**Condensed Statement of Activities**

	2014	2013
Revenues:		
General revenues:		
Per pupil revenue	\$ 1,496,646	\$ 1,131,088
Other	23,465	4,421
Program revenue:		
Charges for services	61,152	42,865
Operating grants and contributions	153,152	110,774
Capital grants and contributions	<u>22,871</u>	<u>16,044</u>
Total revenues	<u>1,757,286</u>	<u>1,305,192</u>
Expenses:		
Instruction	926,765	669,138
Support services	694,153	587,327
Food service operations	<u>35,285</u>	<u>23,757</u>
Total expenses	<u>1,656,203</u>	<u>1,280,222</u>
Change in net position	101,083	24,970
Net position, beginning	<u>169,862</u>	<u>144,892</u>
Net position, ending	<u>\$ 270,945</u>	<u>\$ 169,862</u>

## **ANALYSIS OF THE SCHOOL'S FUNDS**

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

The general fund is the operating fund of the School. The fund balance for the general fund was a surplus of \$258,743 at the end of the current fiscal year.

## **BUDGETARY HIGHLIGHTS**

The School's budget is prepared in accordance with state law. During the year the School amended its budget primarily to reflect the following changes:

- Increases in local revenues of about \$51,000.
- Increase in various expenditures of about \$75,000.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

Capital assets include all capital outlays related to capital assets at the school at 303 Austin Bluffs. The School's investment in capital assets for its governmental activities at the end of the year was \$12,202. There were no significant asset purchases during the year.

### **Debt Administration**

At the end of current fiscal year, the School had no debt outstanding.

## **ECONOMIC FACTORS**

- The primary factor driving the School's budget is student enrollment. Enrollment for the 2013-2014 school year was 241 students. Projected enrollment for the 2014-2015 school year is 345 students.
- After several years of seeing decreases in the Per Pupil Revenue rate (PPR), state funding for K-12 education has improved. The School's PPR for 2013-14 was \$6,513.33, an increase of 2.67% over the 2012-2013 PPR. The School's PPR for 2014-15 is projected at \$6,893.85 – an increase of 5.8%.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Angie Stattman, Thomas MacLaren State Charter School, 303 Austin Bluffs Parkway, Colorado Springs, CO 80918.

## **BASIC FINANCIAL STATEMENTS**

**THOMAS MACLAREN STATE CHARTER SCHOOL**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2014**

**ASSETS**

Cash	\$ 339,048
Intergovernmental receivable	17,704
Other receivables	1,076
Prepaid expense	7
Capital assets, net of accumulated depreciation	<u>12,202</u>

Total Assets 370,037

**LIABILITIES**

Accounts payable	25,491
Accrued salaries and benefits	70,770
Unearned revenue	<u>2,831</u>

Total Liabilities 99,092

**NET POSITION**

Net investment in capital assets	12,202
Restricted for TABOR	48,800
Unrestricted	<u>209,943</u>

Total Net Position \$ 270,945

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

**THOMAS MACLAREN STATE CHARTER SCHOOL  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2014**

Functions/Programs	Program Revenues				Net Program Expense
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction	\$ 926,765	\$ 44,755	\$ 131,714	\$ -	\$ (750,296)
Student support	26,646		-	-	(26,646)
Instructional staff	601	-	-	-	(601)
General administration	49,889	-	-	-	(49,889)
School administration	347,115	-	-	-	(347,115)
Business services	4,773	-	-	-	(4,773)
Maintenance and operations	203,301	-	-	22,871	(180,430)
Central services	61,828	-	-	-	(61,828)
Food service operations	35,285	16,397	21,438	-	2,550
<b>Total governmental activities</b>	<b>\$ 1,656,203</b>	<b>\$ 61,152</b>	<b>\$ 153,152</b>	<b>\$ 22,871</b>	<b>(1,419,028)</b>
General Revenues:					
Per pupil revenue					1,496,646
Investment income					63
Other income					23,402
Total general revenues					1,520,111
Change in net position					101,083
Net position, beginning					169,862
Net position, ending					\$ 270,945

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

**THOMAS MACLAREN STATE CHARTER SCHOOL  
BALANCE SHEET  
GENERAL FUND  
JUNE 30, 2014**

**ASSETS**

Cash	\$ 339,048
Intergovernmental receivable	17,704
Other receivables	1,076
Prepaid expenses	<u>7</u>
 Total Assets	 <u><u>\$ 357,835</u></u>

**LIABILITIES**

Accounts payable	\$ 25,491
Accrued salaries and benefits	70,770
Unearned revenue	<u>2,831</u>
 Total Liabilities	 <u>99,092</u>

**FUND BALANCE**

Nonspendable	7
Restricted for TABOR	48,800
Unassigned	<u>209,936</u>
 Total Fund Balance	 <u>258,743</u>

Total Liabilities and Fund Balance	<u><u>\$ 357,835</u></u>
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The accompanying notes are an integral part of these financial statements.

**THOMAS MACLAREN STATE CHARTER SCHOOL  
RECONCILIATION OF THE BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2014**

Amounts reported for Governmental Activities in the Statement of Net Position are different because:

Total Fund Balance of Governmental Funds	\$ 258,743
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.	<u>12,202</u>
Net Position of Governmental Activities	<u><u>\$ 270,945</u></u>

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

**THOMAS MACLAREN STATE CHARTER SCHOOL**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2014**

<b>REVENUES</b>	
Local sources	\$ 161,661
State sources	1,563,928
Federal sources	<u>31,697</u>
Total revenues	<u>1,757,286</u>
<b>EXPENDITURES</b>	
Instruction	922,698
Student support	26,646
Instructional staff	601
General administration	49,889
School administration	347,115
Business services	4,773
Maintenance and operations	203,301
Central service	61,828
Food service operations	<u>35,285</u>
Total expenditures	<u>1,652,136</u>
Net change in fund balance	105,150
Fund balance, beginning	<u>153,593</u>
Fund balance, ending	<u><u>\$ 258,743</u></u>

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

**THOMAS MACLAREN STATE CHARTER SCHOOL  
RECONCILIATION OF THE STATEMENT OF  
REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE TO THE  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2014**

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Net Change in Fund Balance of Governmental Funds	\$	105,150
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current year.		(4,067)
Change in Net Position of Governmental Activities	\$	101,083

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

## **NOTES TO FINANCIAL STATEMENTS**

**THOMAS MACLAREN STATE CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

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

Thomas MacLaren State Charter School (the School) was organized pursuant to the Colorado Charter Schools Act on July 11, 2007 to form and operate a charter school under the oversight of the Colorado Charter School Institute (CSI). The School began admitting students in the Fall of 2009. The School receives its State funding from CSI. The current charter runs through June 30, 2014 and may be renewed for an additional period by mutual agreement of the School and CSI.

The financial statements of the School have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the School are described below.

*A. REPORTING ENTITY*

The financial reporting entity consists of the School and organizations for which the School is financially accountable. All funds, organizations, institutions, agencies, departments and offices that are not legally separate are part of the School. In addition, any legally separate organizations for which the School is financially accountable are considered part of the reporting entity. 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.

Based on the application of these criteria, the School does not include additional organizations within its reporting entity.

*B. BASIS OF PRESENTATION—GOVERNMENT-WIDE FINANCIAL STATEMENTS*

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds.

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the government. Governmental activities are normally supported by taxes, intergovernmental revenues, and other nonexchange transactions. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

*C. BASIS OF PRESENTATION—FUND FINANCIAL STATEMENTS*

The accounts of the School are organized and operated on the basis of funds. A fund is an independent fiscal accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds maintained is consistent with legal and managerial requirements.

The School reports the following major governmental fund:

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

**THOMAS MACLAREN STATE CHARTER SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING*

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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 the related cash flow. Grants and similar items are recognized as revenue in the fiscal year in which all eligibility requirements imposed by the provider have been met.

The 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 collectible within the period or soon enough thereafter to pay liabilities of the current fiscal period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

Charges for services, 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. Expenditure-driven grants recognize revenue when the qualifying expenditures have been incurred and all other grant requirements have been met, and the amount is received during the period or within the availability period of this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the government.

*E. ASSET, LIABILITIES, AND NET POSITION/FUND BALANCE*

*Cash and cash equivalents*

Cash and cash equivalents include cash on hand and in the bank and short-term investments with original maturities of three months or less from the date of acquisition.

*Investments*

Investments are stated at fair value.

*Receivables*

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible

**THOMAS MACLAREN STATE CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*E. ASSET, LIABILITIES, AND NET POSITION/FUND BALANCE (CONTINUED)*

*Prepaid expenses*

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

*Capital Assets*

Capital assets, which include furniture and equipment, are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. Major outlays for capital assets and improvements are capitalized as projects are constructed.

The costs of normal maintenance and repairs that do not add to the value of the asset, or materially extend asset lives, are not capitalized. Improvements are capitalized and are depreciated over the remaining useful lives of the related capital assets, as applicable.

Furniture and equipment of the School are depreciated using the straight-line method over the following estimated useful lives:

Furniture and equipment	7 years
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When depreciable property is acquired, depreciation is included in expense for the year of acquisition for the number of months during the year the asset was in service. When depreciable property is retired or otherwise disposed of, depreciation is included in expense for the number of months in service during the year of retirement and the related costs and accumulated depreciation are removed from the accounts with any gain or loss reflected in the statement of revenue, expenses and changes in fund net position.

*Deferred outflows/inflows of resources*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then.

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

*Net position flow assumption*

The School may fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted—net position and unrestricted—net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the School's policy to consider restricted—net position to have been depleted before unrestricted—net position is applied.

**THOMAS MACLAREN STATE CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*E. ASSET, LIABILITIES, AND NET POSITION/FUND BALANCE (CONTINUED)*

*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 School is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications available to be used in the governmental fund financial statements are as follows:

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

**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.

**Committed** – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action that was used 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.

**Assigned** – This classification includes amounts that are constrained by the School's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Directors or through the Board of Directors delegating this responsibility to management through the budgetary process. This classification also includes the remaining positive fund balance for any governmental funds except for the General Fund.

**Unassigned** – This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The School 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 resources first to defer the use of these other classified funds.

*F. REVENUES AND EXPENDITURES/EXPENSES*

*Program revenues*

Amounts reported as *program revenues* include 1) fees and charges to customers or applicants 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. Revenues that are not classified as program revenues, including all taxes, are reported as *general revenues*.

**THOMAS MACLAREN STATE CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*F. REVENUES AND EXPENDITURES/EXPENSES (CONTINUED)*

*Compensated Absences*

The School's employees accrue paid time off during the year for personal needs and illness. Accrued paid time off is not paid upon termination of employment. Up to five days may be rolled into the following year which may only be used for medical absences. Accumulated paid time off at June 30, 2014 is not considered to be material to the financial statements. As a result, a liability for unused paid time off is not recorded in the financial statements.

*G. ESTIMATES*

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

*H. ADOPTION OF NEW ACCOUNTING STANDARD*

The School implemented GASB Statement No. 65 effective July 1, 2013. This statement provides guidance on reporting deferred inflows and outflows of resources and net position in a statement of financial position. The adoption of this new standard had no effect on net position.

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

*BUDGET INFORMATION*

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all funds. All annual appropriations lapse at fiscal year end. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year and actual data for the preceding year.

Budgets are required by Colorado State Statutes for all funds. Prior to the fiscal year end, management submits to the Board of Directors a proposed budget for all funds for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them. Prior to June 30, the budget is adopted by formal resolution.

Formal budgetary integration is employed as a management control device during the year for the Governmental funds. The appropriated budget is prepared by fund. The legal level of control is the fund level.

Expenditures may not legally exceed appropriations at the fund level. Revisions that alter the total expenditures of any fund must be approved by the Board of Directors.

Appropriations are based on total funds expected to be available in each budget year, including beginning fund balances and reserves as established by the Board of Directors. Variances between budget and actual result from the non-expenditure of reserves, nonoccurrence of anticipated events, and normal operating variances.

**THOMAS MACLAREN STATE CHARTER SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)**

*BUDGET INFORMATION (CONTINUED)*

The Board of Directors may authorize supplemental appropriations during the year. For budgetary management purposes, funds are appropriated for capital outlays.

**NOTE 3 - DEPOSITS AND INVESTMENTS**

*Cash deposits with financial institutions*

*Custodial credit risk—deposits.* Colorado State Statutes govern the entity's deposit of cash. The Public Deposit Protection Acts for banks and savings and loans require the state regulators to certify eligible depositories for public deposits. The acts require the eligible depositories with public deposits in excess of the federal insurance levels to create a single institution collateral pool of defined eligible assets. Eligible collateral includes obligations of the United States, obligations of the State of Colorado or local Colorado governments and obligations secured by first lien mortgages on real property located in the State. 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 assets in the pool must be at least equal to 102% of the uninsured deposits.

At June 30, 2014, the carrying amount of the School's deposits was \$339,048 and the bank balances were \$348,604. Of the total bank balance, \$250,000 was covered by FDIC insurance and \$98,604 was uninsured, but collateralized in accordance with the provisions of the Colorado Public Deposit Protection Act (PDPA). The collateral is pooled and held in a trust for all uninsured deposits as a group.

*Investments*

The School is required to comply with State statutes that specify investment instruments meeting defined rating, maturity and concentration risk criteria in which local governments may invest, which include the following. State statutes generally limit investments to an original maturity of five years unless the governing board authorizes the investment for a period in excess of five years. State statutes do not address custodial risk.

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

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

**THOMAS MACLAREN STATE CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 4 - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2014 was as follows:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets, being depreciated:				
Equipment	\$ 28,470	\$ -	\$ -	\$ 28,470
Total capital assets, being depreciated	28,470	-	-	28,470
Less accumulated depreciation	<u>(12,201)</u>	<u>(4,067)</u>	<u>-</u>	<u>(16,268)</u>
Total capital assets, net	<u>\$ 16,269</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,202</u>

*Depreciation expense was charged to functions/programs of as follows:*

Instruction	\$ 4,067
Total	<u>\$ 4,067</u>

**NOTE 5 - 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, postretirement annual increases, and death benefits for members or their beneficiaries. All employees of School are members of the SDTF. Title 24, Article 51 of the Colorado Revised Statutes (C.R.S.), as amended, assigns the authority to establish benefit provisions to the State Legislature. PERA issues a publicly available Comprehensive Annual Financial Report that includes financial statements and required supplementary information for the SDTF. That report may be obtained online at [www.copera.org](http://www.copera.org) or by writing to Colorado PERA, 1301 Pennsylvania Street, Denver, Colorado 80203, or by calling PERA at 303-832-9550 or 1-800-759-PERA (7372).

**THOMAS MACLAREN STATE CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 5 - DEFINED BENEFIT PENSION PLAN (CONTINUED)**

*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 C.R.S., as amended. The contribution rate for members is 8.0 percent and for the School it is 10.15 percent of covered salary. A portion of the School's contribution (1.02 percent of covered salary) is allocated to the Health Care Trust Fund (see Note 6). The School is also required to pay an amortization equalization disbursement (AED) equal to 3.80 percent of the total payroll for the calendar year 2014 (3.40 percent of total payroll for the calendar year 2013, and 3.00 percent of total payroll for the calendar year 2012). Additionally, the School is required to pay a supplemental amortization equalization disbursement (SAED) equal to 3.50 percent of the total payroll for the calendar year 2014 (3.00 percent of total payroll for the calendar year 2013, and 2.50 percent of total payroll for the calendar year ended 2012). If the School rehires a PERA retiree as an employee or under any other work arrangement, it is required to report and pay employer contributions (including the AED and SAED) on the amounts paid for the retiree; however no member contributions are required. The School's contributions to the SDTF for the years ended June 30, 2014, 2013 and 2012 were \$134,453, \$92,648, and \$78,021 respectively, equal to the required contributions for each year.

**NOTE 6 - POSTEMPLOYMENT HEALTHCARE BENEFITS**

*PLAN DESCRIPTION*

The School contributes to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer healthcare trust administered by PERA. The HCTF provides a health care premium subsidy to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the C.R.S., as amended, assigns the authority to establish the HCTF benefit provisions to the State Legislature. PERA issues a publicly available Comprehensive Annual Financial Report that includes financial statements and required supplementary information for the HCTF. That report may be obtained online at [www.copera.org](http://www.copera.org) or by writing to Colorado PERA, 1301 Pennsylvania Street, Denver, Colorado 80203, or by calling PERA at 303-832-9550 or 1-800-759-PERA (7372).

*FUNDING POLICY*

The School is required to contribute at a rate of 1.02 percent of covered 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 contribution to the HCTF from the defined benefit plan employer contribution (see Note 5) is established under Title 24, Article 51, Section 208 of the C.R.S., as amended. For the years ending June 30, 2014, 2013 and 2012 the School's employer contributions to the HCTF were \$8,525, \$6,851, and \$5,769 respectively, equal to the required contributions for each year.

**THOMAS MACLAREN STATE CHARTER SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE 7 - RISK MANAGEMENT**

The School is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The School carries commercial insurance for these risks of loss, including worker's compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage during the last three fiscal years.

**NOTE 8 - CONCENTRATION OF RISK**

*Charter School Institute*

The School is funded directly by the Charter School Institute (CSI) based on the CSI's per pupil funding. For the fiscal year ended June 30, 2014, this funding along with pass-through grant funding accounted for approximately 91% of the School's revenues.

**NOTE 9 - COMMITMENTS AND CONTINGENCIES**

*LEASE COMMITMENT*

In May 2014, the School entered into a lease agreement with The Pulpit Rock Church to utilize a portion of their building for classrooms. The agreement requires monthly lease payments of \$16,667 through June 30, 2015 and monthly lease payments of \$17,500 through June 30, 2016, with the option to extend the lease for an additional year.

Future minimum lease payments are as follows:

Fiscal Year <u>Ending June 30</u>	
2015	\$ 200,000
2016	<u>210,000</u>
Total	<u>\$ 410,000</u>

*GRANTS*

The School has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to a request for reimbursement to grantor agencies for expenditures disallowed under terms of the grant. However, in the opinion of the School, any such adjustments will not have a material adverse affect on the financial position of the School.

**THOMAS MACLAREN STATE CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 10 - AMENDMENT TO COLORADO CONSTITUTION**

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities and other specific requirements of state and local governments.

The amendment requires emergency reserves be established. These reserves must be at least 3% of fiscal year spending. The School is not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls or salary and benefit increases. At June 30, 2014 there was a \$48,800 reservation of fund balance in the General Fund for the amendment.

The Amendment is complex and subject to judicial interpretation. The School believes it is in compliance with the requirements of the amendment. However, the School has made certain interpretations of the amendment's language in order to determine its compliance.

**NOTE 11 - COMPLIANCE**

The School has complied with the requirements of the Financial Policies and Procedures Handbook for the 2014 audit period as required by Colorado Statute CRS 22-44-204(3).

**REQUIRED SUPPLEMENTARY INFORMATION**

**THOMAS MACLAREN STATE CHARTER SCHOOL**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Budgeted Amounts</u>		<u>Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Local sources				
Fees	\$ 23,516	\$ 38,949	\$ 38,691	\$ (258)
Pupil activities	51,200	71,850	83,108	11,258
Food service	20,000	35,000	16,397	(18,603)
Other	5,100	5,060	23,465	18,405
Total local sources	<u>99,816</u>	<u>150,859</u>	<u>161,661</u>	<u>10,802</u>
State sources				
Per pupil revenue	1,479,012	1,481,386	1,496,646	15,260
Capital construction funding	17,700	20,352	22,871	2,519
Other	16,000	45,650	44,411	(1,239)
Total state sources	<u>1,512,712</u>	<u>1,547,388</u>	<u>1,563,928</u>	<u>16,540</u>
Federal sources				
Total federal sources	<u>14,600</u>	<u>10,259</u>	<u>31,697</u>	<u>21,438</u>
Total revenues	<u>1,627,128</u>	<u>1,708,506</u>	<u>1,757,286</u>	<u>48,780</u>
<b>EXPENDITURES</b>				
Instruction	932,807	936,800	922,698	14,102
Student support	42,700	66,850	26,646	40,204
Instructional staff	1,600	1,000	601	399
General administration	48,807	49,761	49,889	(128)
School administration	323,568	341,704	347,115	(5,411)
Business services	8,000	6,200	4,773	1,427
Maintenance and operations	192,000	205,000	203,301	1,699
Central services	46,750	64,444	61,828	2,616
Food service operations	-	-	35,285	(35,285)
Total expenditures	<u>1,596,232</u>	<u>1,671,759</u>	<u>1,652,136</u>	<u>19,623</u>
Net change in fund balance	30,896	36,747	105,150	68,403
Fund balance, beginning	<u>153,011</u>	<u>153,011</u>	<u>153,593</u>	<u>582</u>
Fund balance, ending	<u>\$ 183,907</u>	<u>\$ 189,758</u>	<u>\$ 258,743</u>	<u>\$ 68,985</u>

See the accompanying independent auditors' report.