

DOWNTOWN DENVER EXPEDITIONARY SCHOOL

BASIC FINANCIAL STATEMENTS

June 30, 2014

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FINANCIAL SECTION



JOHN CUTLER & ASSOCIATES

Board of Directors
Downtown Denver Expeditionary School
Denver, Colorado

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Downtown Denver Expeditionary School, component unit of the Denver Public School District, 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.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Downtown Denver Expeditionary School, as of and for the year ended June 30, 2014, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information on page 15 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

John Luttrell & Associates, LLC

September 10, 2014

Management's Discussion and Analysis

As management of Downtown Denver Expeditionary School (DDES), we offer readers of Downtown Denver Expeditionary School's financial statements our narrative overview and analysis of the financial activities of DDES for the fiscal year ended June 30, 2014.

Financial Highlights

The year ended June 30, 2014 is the first year of operations with students for DDES. The assets of Downtown Denver Expeditionary School exceeded its liabilities at the close of the most recent fiscal year by \$137,363 (net position).

At the close of the fiscal year Downtown Denver Expeditionary School's governmental funds reported a combined ending fund balance of \$119,196.

Overview of Financial Statements

This discussion and analysis are intended to serve as an introduction to Downtown Denver Expeditionary School's basic financial statements. Downtown Denver Expeditionary 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.

Government-wide Financial Statements

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

The statement of net position presents information on all of Downtown Denver Expeditionary 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 Downtown Denver Expeditionary School is improving or deteriorating.

The statement of activities presents information showing 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 only result in cash flows in future fiscal periods (e.g. uncollected grant expenses and earned but unpaid salary and benefits).

The government-wide statement of activities distinguishes functions/programs of Downtown Denver Expeditionary School supported primarily by Per Pupil Operating Revenue or other revenues passed through from the District (Denver Public Schools). The governmental activities of Downtown Denver Expeditionary School include instruction and supporting services.

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

Fund financial statements

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

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

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

Downtown Denver Expeditionary School maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the capital reserve fund, because both are considered to be major funds.

Downtown Denver Expeditionary School adopts an annual appropriated budget for its funds. Budgetary comparison statements have been provided for the funds to demonstrate compliance with the budget.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. This information is provided in pages 6-14.

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 Downtown Denver Expeditionary School, assets exceeded liabilities by \$137,363 in FY 2013-2014.

Downtown Denver Expeditionary School's Net Position Governmental Activities

	<u>June 30, 2014</u>
ASSETS	
Cash and investments	\$ 126,555
Cash Held by the District	25,811
Accounts Receivable	43,010
Prepaid Expenses	3,444
Inventory	1,781
Capital Assets, Net of Accum Depreciation	18,167
Total Assets	218,768
LIABILITIES	
Accounts Payable	13,979
Accrued Salaries & Benefits	55,426
Unearned Revenue	12,000
Total Liabilities	81,405
NET POSITION	
Investment in Capital Assets	18,167
Restricted for Emergencies	40,000
Unrestricted	79,196
Total Net Position	\$ 137,363

The largest portion of Downtown Denver Expeditionary School's assets is in cash and investments @ 58% in 2014.

**Downtown Denver Expeditionary School's Change in Net Position
Governmental Activities**

	<u>June 30, 2014</u>
Program Revenue:	
Charges for Services	\$ 218,847
Operating Grants and Contributions	457,850
Capital Grants and Contributions	6,529
Total Program Revenue	683,226
General Revenue:	
Per Pupil Revenue	891,906
Mill Levy Revenue	191,350
Miscellaneous	2,869
Total General Revenue	1,086,125
Total Revenue	1,769,351
Expenses:	
Current:	
Instruction	918,529
Supporting Services	719,826
Total Expenses	1,638,355
Increase/(Decrease) in Net Position	130,996
Net Position, Beginning	\$ 6,367
Net Position, Ending	\$ 137,363

The largest portion of Downtown Denver Expeditionary School's revenues came from per pupil revenue – 50%, respectively in 2014.

Financial Analysis of the Government's Funds

As noted earlier, Downtown Denver Expeditionary School uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

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

As of the end of the current fiscal year, the School's General Fund reported an ending fund balance of \$119,196, an increase of \$112,829 from prior year.

General Fund Budgetary Highlights

The School approves a final budget in May based on enrollment projections for the school year. In October, after enrollment stabilizes, adjustments are made to the budget. At year-end, the school had some variances between its final budgeted and actual activities. On the revenue side, the school recognized \$29,847 in additional revenues primarily due to increases of tuition and fees and \$38,881 in grants and donations – based on the original budget. On the expense side, expenses remained \$127,292 under the final budget in an effort to remain compliant with Statute and to build the reserve for future growth. One budget amendment was made during the 2013-2014 year.

Capital assets & Long-Term Debt

Downtown Denver Expeditionary School invested in a bus in July 2013 as a capital asset. Depreciation expenses for capital assets are booked under the Supporting expenses of the school operations. See Note 4 for more information. Downtown Denver Expeditionary School does not have long-term debt obligations.

Economic Factors and Next Year's Budget

The primary factor driving the budget for Downtown Denver Expeditionary School is student enrollment. Enrollment for the 2013-2014 school year was 137.62 funded students. This information was analyzed as part of the 2014-2015 budget which is projecting a funded student count of 250.20.

Requests for Information

This financial report is designed to provide a general overview of Downtown Denver Expeditionary School's finances for all those with an interest in the School's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the school:

Downtown Denver Expeditionary School
1860 Lincoln Street
Denver, CO 80295

BASIC FINANCIAL STATEMENTS

DOWNTOWN DENVER EXPEDITIONARY SCHOOL

STATEMENT OF NET POSITION

As of June 30, 2014

	<u>Governmental Activities</u>
ASSETS	
Cash	\$ 126,555
Cash Held by the District	25,811
Accounts Receivable	43,010
Inventory	1,781
Prepaid Expenses	3,444
Capital Assets, Net	<u>18,167</u>
 TOTAL ASSETS	 <u>218,768</u>
 LIABILITIES	
Accounts Payable	13,979
Accrued Salaries and Benefits	55,426
Unearned Revenue	<u>12,000</u>
 TOTAL LIABILITIES	 <u>81,405</u>
 NET POSITION	
Investment in Capital Assets	18,167
Restricted for Emergencies	40,000
Unrestricted	<u>79,196</u>
 TOTAL NET POSITION	 <u><u>\$ 137,363</u></u>

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

DOWNTOWN DENVER EXPEDITIONARY SCHOOL

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014

	<u>GENERAL FUND</u>
ASSETS	
Cash	\$ 126,555
Cash Held by District	25,811
Accounts Receivable	43,010
Inventory	1,781
Prepaid Expenses	<u>3,444</u>
TOTAL ASSETS	<u><u>\$ 200,601</u></u>
LIABILITIES AND FUND BALANCES	
LIABILITIES	
Accounts Payable	\$ 13,979
Accrued Salaries and Benefits	55,426
Unearned Revenue	<u>12,000</u>
TOTAL LIABILITIES	<u>81,405</u>
FUND BALANCES	
Nonspendable	5,225
Restricted for Emergencies	40,000
Unassigned	<u>73,971</u>
TOTAL FUND BALANCES	<u>119,196</u>
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.	<u>18,167</u>
Net position of governmental activities	<u><u>\$ 137,363</u></u>

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

DOWNTOWN DENVER EXPEDITIONARY SCHOOL

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

	<u>GENERAL FUND</u>
REVENUES	
Local Sources	\$ 1,494,654
State and Federal Sources	<u>274,697</u>
TOTAL REVENUES	<u>1,769,351</u>
EXPENDITURES	
Current	
Instruction	918,529
Supporting Services	<u>737,993</u>
TOTAL EXPENDITURES	<u>1,656,522</u>
NET CHANGE IN FUND BALANCES	112,829
FUND BALANCES, Beginning	<u>6,367</u>
FUND BALANCES, Ending	<u><u>\$ 119,196</u></u>

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

DOWNTOWN DENVER EXPEDITIONARY SCHOOL

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

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

Net change in fund balances - total governmental funds	\$ 112,829
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 expense in the statement of activities. This amount by which capital outlay \$20,000 exceeded depreciation expense (\$1,833) in the current period.	<u>18,167</u>
Change in net position of governmental activities	<u><u>\$ 130,996</u></u>

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

DOWNTOWN DENVER EXPEDITIONARY SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Downtown Denver Expeditionary School (the “School”) was organized in 2013 pursuant to the Colorado Charter Schools Act to form and operate a charter school within the Denver Public School District (the “District”) in the State of Colorado.

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

Reporting Entity

The financial reporting entity consists of the 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 upon the application of these criteria, no additional organizations are includable in the School’s reporting entity. However, the School is a component unit of the Denver Public School District.

Government-Wide and Fund Financial Statements

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

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

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

DOWNTOWN DENVER EXPEDITIONARY SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

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

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

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 financial resources except those required to be accounted for in another fund.

Assets, Liabilities and Fund Balance/Net Position

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

DOWNTOWN DENVER EXPEDITIONARY SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Inventory – Merchandise consisting of school sweatshirts and shirts that are purchased for resale to the students and remain unsold at year end are recorded as inventory.

Prepaid Expenses – Payments made to vendors for services that will benefit future periods are recorded as prepaid expense. An expenditure is reported in the year in which the services are consumed.

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

Depreciation of exhaustible capital assets is charged as an expense against operations, and accumulated depreciation is reported on the statement of net position in the government-wide financial statements. Depreciation has been provided over the following estimated useful lives of the capital assets using the straight-line method. Vehicles are depreciated over 10 years.

Unearned Revenues – Unearned revenues include grants and contribution revenues that have been received but the corresponding expenditure that 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.

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

DOWNTOWN DENVER EXPEDITIONARY SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Fund Balance/Net Position (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 used in the governmental fund financial statements are as follows:

- Nonspendable — amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The School has classified its prepaid expenses and inventories as nonspendable as of June 30, 2014.
- Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The School has classified Emergency Reserves as being restricted because their use is restricted by State Statute for declared emergencies.
- Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The School did not have any committed resources as of June 30, 2014.
- Unassigned – This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The 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.

DOWNTOWN DENVER EXPEDITIONARY SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

The School's policy allows employees to accumulate sick and vacation leave. However, any amounts accrued are not payable upon termination. Therefore, no liability for accumulated sick leave or vacation is reported in the financial statements.

Risk Management

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The School carries commercial coverage for these risks of loss. The School has not had any claims that exceeded the insured amounts for the last year.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

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

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 by June 1. Expenditures may not legally exceed appropriations at the fund level. Revisions must be approved by the Board of Directors. The budget includes proposed expenditures and the means of financing them. All appropriations lapse at fiscal year-end.

NOTE 3: CASH AND INVESTMENTS

Deposits

Custodial Credit Risk – Deposits

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

DOWNTOWN DENVER EXPEDITIONARY SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

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

The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. The School has no policy regarding custodial credit risk for deposits.

At June 30, 2014, the School had deposits with financial institutions with a carrying amount of \$126,555. The bank balances with the financial institutions were \$138,084. All of these balances were covered by federal depository insurance.

Pooled Cash with the District

Cash deposits are pooled with the District cash and investments which were held by several banking institutions. Pooled investments represent investments in local government investment pools or in money market funds. At June 30, 2014 the School's balance in equity in pooled cash of the District totaled \$25,811.

Investments

Interest Rate Risk

The School does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

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

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

The School had no investments at June 30, 2014.

The School has no policy for managing credit risk.

DOWNTOWN DENVER EXPEDITIONARY SCHOOL

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE 3: CASH AND INVESTMENTS (Continued)

Restricted Cash and Investments

Cash in the amount of \$25,811 is restricted in the General Fund as an emergency reserve related to the TABOR amendment.

NOTE 4: CAPITAL ASSETS

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

	Balance <u>June 30, 2013</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2014</u>
Governmental Activities				
Capital Assets, Depreciated Equipment	\$ _____ -	\$ 20,000	\$ _____ -	\$ 20,000
Accumulated Depreciation Equipment	_____ -	1,833	_____ -	1,833
Net Capital Assets	<u>\$ _____ -</u>	<u>\$ 18,167</u>	<u>\$ _____ -</u>	<u>\$ 18,167</u>

Depreciation has been charged to supporting services program of the School.

NOTE 5: ACCRUED SALARIES AND BENEFITS

Salaries and retirement benefits of certain contractually employed personnel are paid over a twelve month period from August to July, but are earned during a school year of nine months. The salaries and benefits earned, but unpaid, as of June 30, 2014, were \$55,426 in the General Fund.

DOWNTOWN DENVER EXPEDITIONARY SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

NOTE 6: PENSION PLAN

Defined Benefit Pension Plan

Plan Description. The School contributes to the Denver Public Schools Retirement System Division of 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, assigns the authority to establish benefit provisions to the State Legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for the SDTF. That report may be obtained online at www.copera.org or by writing to Colorado PERA, 1300 Logan Street, Denver, Colorado 80203 or by calling PERA at 303-832-9550 or 1-800-759-PERA (7372).

Funding Policy. The 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 is 8.0 % and for the School it is 4.16 % of the total payroll for the calendar year 2014, (5.64 % of total payroll for the calendar year 2013). 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 on the amounts paid for the retiree, however no member contributions are required. For the year ending June 30, 2014 the School's employer contribution for the SDTF was \$34,907, equal to the required contributions for the year.

Taxable Pension Certificates of Participation (PCOPs)

The District issued Taxable Pension Certificates of Participation (PCOPs) on July 17, 1997 to fully fund the unfunded actuarial accrued liability (UAAL) of the Plan. Full funding of the UALL reduced the employer contribution rate from the full funding rate of 15.75% to the normal cost rate of 4.98%. This rate is based upon actuarially determined contribution requirements, the approval and recommendation of the Plan's Board and approval of the District's Board of Education. The School contributed 10.80% of covered payroll for the fiscal year ended June 30, 2014 to the District to cover its obligation relating to the PCOPs.

During the fiscal year ended June 30, 2014 the School made contributions totaling \$78,086 to the District towards its PCOPs obligation.

DOWNTOWN DENVER EXPEDITIONARY SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

NOTE 7: COMMITMENTS AND CONTINGENCIES

Facility Use Agreement

In July 2013, the School entered into a facility use agreement with the District. Under the terms of the agreement, the School is required to pay an annual use fee of \$710 per student. The facility use fee is payable in three installments, 25% in July and October and 50% in January of each fiscal year. As long as the School is not in default under the terms of the agreement it will remain in force concurrent with the School's charter contract.

For the year ended June 30, 2014, the School paid \$124,250 to the Districts under the terms of the agreement.

Claims and Judgments

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

Tabor Amendment

In November 1992, Colorado voters passed the Tabor Amendment to the State Constitution, which limits state and local government tax powers and imposes spending limitations. Fiscal year 1993 provides the basis for limits in future years to which may be applied allowable increases for inflation and student enrollment. Revenue received in excess of the limitations may be required to be refunded. The School believes it has complied with the Amendment.

As required by the Amendment, the School has established a reserve for emergencies. At June 30, 2014, the reserve of \$40,000 was recorded as a reservation of fund balance in the General Fund. The District also holds \$25,811 in pooled cash on behalf of the School for this reserve.

REQUIRED SUPPLEMENTARY INFORMATION

DOWNTOWN DENVER EXPEDITIONARY SCHOOL

GENERAL FUND
 BUDGETARY COMPARISON SCHEDULE
 Year Ended June 30, 2014

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES				
Local Sources				
Per Pupil Revenue	\$ 894,544	\$ 891,640	\$ 891,906	\$ 266
Mill Levy Override	168,102	191,350	191,350	-
Tuition and Fees	189,000	217,039	218,847	1,808
Grants and Donations	150,801	205,360	189,682	(15,678)
Other	25,000	4,000	2,869	(1,131)
State and Federal Sources				
Grants and Donations	228,563	274,425	274,697	272
TOTAL REVENUES	<u>1,656,010</u>	<u>1,783,814</u>	<u>1,769,351</u>	<u>(14,463)</u>
EXPENDITURES				
Salaries	703,300	785,335	780,058	5,277
Employee Benefits	197,027	187,320	185,827	1,493
Purchased Services	521,236	470,736	453,815	16,921
Supplies and Materials	97,362	153,890	126,354	27,536
Property	74,675	112,959	103,917	9,042
Other	24,250	73,574	6,551	67,023
TOTAL EXPENDITURES	<u>1,617,850</u>	<u>1,783,814</u>	<u>1,656,522</u>	<u>127,292</u>
CHANGE IN FUND BALANCES	38,160	-	112,829	112,829
FUND BALANCE, Beginning	<u>-</u>	<u>-</u>	<u>6,367</u>	<u>6,367</u>
FUND BALANCE, Ending	<u>\$ 38,160</u>	<u>\$ -</u>	<u>\$ 119,196</u>	<u>\$ 119,196</u>

See the accompanying independent auditors' report.