

THE ODYSSEY SCHOOL
BASIC FINANCIAL STATEMENTS
June 30, 2014

TABLE OF CONTENTS

	PAGE
INTRODUCTORY SECTION	
Title Page	
Table of Contents	
FINANCIAL SECTION	
Independent Auditors' Report	
Management's Discussion and Analysis	i - vi
Basic Financial Statements	
Statement of Net Position	1
Statement of Activities	2
Balance Sheet – Governmental Funds	3
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	4
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	5
Notes to the Financial Statements	6 – 14
Required Supplementary Information	
Budgetary Comparison Schedule – General Fund	15

FINANCIAL SECTION



**JOHN CUTLER
& ASSOCIATES**

Board of Directors
The Odyssey 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 the Odyssey 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 the Odyssey 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 budgetary 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 9, 2014

Management's Discussion and Analysis

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

Financial Highlights

The assets of the School exceeded its liabilities at the close of the most recent fiscal year by \$709,159 (net position).

At the close of the fiscal year the School's governmental funds reported an ending fund balance of \$614,947, an increase of \$69,714. This was due an increase in the funded pupil count by 9 students and \$48,000 in Mill Levy Reserve funds allocated by Denver Public School. The additional mill levy override funds allowed the School to allocate allowable expenses from the General Fund to mill levy funds. This provided resources to cover educational expenditures and allowed the School to set aside funds to cover required and operating reserves. The School also received more unrestricted grants and donations from local sources.

Overview of Financial Statements

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

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 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 the School supported primarily by Per Pupil Revenue (PPR) or other revenues passed through from Denver Public Schools (the “District”). The governmental activities of the School include instruction and supporting services expenses.

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

Fund financial statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The 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 the School are categorized as 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.

The School maintains one individual governmental fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund because it is considered to be a major fund.

The 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 a government's financial position. In the case of the School, assets exceeded liabilities by \$709,159 in FY 2014 and \$624,527 in FY 2013.

The Odyssey School's Net Position Governmental Activities

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Cash	\$ 518,542	\$ 490,421
Cash held by the District	44,733	39,827
Other Assets	55,600	15,782
Capital Assets	94,212	79,294
Total Assets	<u>713,087</u>	<u>625,324</u>
Current liabilities	563	797
Other Liabilities	3,365	-
Total Liabilities	<u>3,928</u>	<u>797</u>
Net position		
Invested in Capital Assets	94,212	79,294
Restricted for:		
Emergencies Tabor	62,000	53,000
Unrestricted	552,947	492,233
Total Net position	<u><u>\$ 709,159</u></u>	<u><u>\$ 624,527</u></u>

The largest portion of the Schools' assets is in cash and cash held by the District; 79.0% in FY 2014 and 84.8% in FY 2013. Capital assets, less accumulated depreciation, were 13.2% in FY 2014 and 12.7% in FY 2013. The School's net position increased by \$84,632 and \$51,937 in FY 2014 and FY 2013, respectively.

**The Odyssey School's Change in Net Position
For the Years Ended June 30, 2014 and June 30, 2013
Governmental Activities**

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Program Revenue:		
Charges for Services	\$ 44,935	\$ 49,593
Operating Grants and Contributions	156,580	97,391
Capital Grants and Contributions	<u>10,539</u>	<u>9,403</u>
Total Program Revenue	<u>212,054</u>	<u>156,387</u>
General Revenue:		
Per Pupil Revenue	1,557,556	1,471,090
Mill Levy Override	223,223	198,138
Other	<u>77,100</u>	<u>191,239</u>
Total General Revenue	<u>1,857,879</u>	<u>1,860,467</u>
 Total Revenue	 <u>2,069,933</u>	 <u>2,016,854</u>
Expenses:		
Current:		
Instruction	1,276,531	1,249,032
Supporting Services	<u>708,770</u>	<u>715,885</u>
Total Expenses	<u>1,985,301</u>	<u>1,964,917</u>
 Increase in Net position	 84,632	 51,937
Beginning Net position, June 30	<u>624,527</u>	<u>572,590</u>
Ending Net position, June 30	<u>\$ 709,159</u>	<u>\$ 624,527</u>

The largest portion of the School's revenues come from per pupil funding – 75.2% in FY 2014 and 72.9% in FY 2013. In FY 2014 and FY 2013, 14.0% and 17.3%, respectively, of revenues came from program and other revenues. Mill levy overrides comprised 10.8% and 9.8% of the School's total revenue in FY 2014 and FY 2013, respectively. The School's revenue increased by \$53,079 and expenses increased by \$20,384 in FY 2014.

Financial Analysis of the Government's Funds

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

Governmental Funds. The focus of the School's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the School's future 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 \$614,947, an increase of \$69,714. The increase was a result of the allocation of Mill Levy Reserve funds by the District in FY 2014.

General Fund Budgetary Highlights.

The School approves a budget in May based on enrollment projections for the following school year. In October, after enrollment stabilizes, adjustments are made to the budget. At year-end, the School had small variances between its budgeted and actual activities. On the revenue side, the School recognized approximately \$14,874 in additional revenues in the General Fund due to conservative budgeting practices used to determine Per Pupil Revenue and Mill Levy Override increases. Additionally, expenses remained \$63,341 under budget due to budgeting for a conservative contingency and in an effort to remain compliant with Statute.

Capital Asset and Debt Administration.

Capital assets. The School's investment in capital assets consisting of vehicles at June 30, 2014 was \$191,316. Accumulated depreciation was \$97,104 resulting in net capital assets of \$94,212. The School sold a bus and purchased a bus during FY 2014. At June 30, 2014, the School owned 5 vehicles for transporting students.

Long-Term Debt. The School has no long-term debt obligations.

Economic Factors and Next Year's Budget

The economic outlook for FY 2015 is improving with the increase of \$385.15 per funded FTE or 5.5% in PPR funding. This percentage increase is significantly higher than the 2% increase received in FY 2014. The Capital Construction funding per pupil allocation increased for FY 2015 to \$167.36 per funded FTE compared to \$94.90 per funded FTE in FY 2014.

During FY 2014, the School had a funded pupil count of 223.08, an increase of 8.58 FTE or an increase in the size of each class by 1.0 FTE. The School is not budgeting for a significant change in their funded pupil count for FY 2015.

Requests for Information

This financial report is designed to provide a general overview of the 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 Odyssey School - CFO, 6550 East 21st Avenue, Denver, CO 80207.

BASIC FINANCIAL STATEMENTS

THE ODYSSEY SCHOOL
STATEMENT OF NET POSITION
As of June 30, 2014

	<u>Governmental Activities</u>
ASSETS	
Cash	\$ 518,542
Cash Held by the District	44,733
Accounts Receivable	1,757
Grant Receivable	9,525
Prepaid Expenses	44,318
Capital Assets, Depreciated, Net of Accumulated Depreciation	<u>94,212</u>
TOTAL ASSETS	<u>713,087</u>
LIABILITIES	
Accounts Payable	563
Accrued Liabilities	<u>3,365</u>
TOTAL LIABILITIES	<u>3,928</u>
NET POSITION	
Invested in Capital Assets	94,212
Restricted for Emergencies	62,000
Unrestricted	<u>552,947</u>
TOTAL NET POSITION	<u><u>\$ 709,159</u></u>

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

THE ODYSSEY SCHOOL

STATEMENT OF ACTIVITIES
Year Ended June 30, 2014

<u>FUNCTIONS/PROGRAMS</u>	<u>Expenses</u>	<u>PROGRAM REVENUES</u>			<u>NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION Governmental Activities</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
PRIMARY GOVERNMENT					
Governmental Activities					
Instructional	\$ 1,276,531	\$ 44,935	\$ 20,230	\$ -	\$ (1,211,366)
Supporting Services	708,770	-	136,350	10,539	(561,881)
Total Governmental Activities	<u>\$ 1,985,301</u>	<u>\$ 44,935</u>	<u>\$ 156,580</u>	<u>\$ 10,539</u>	<u>(1,773,247)</u>
		GENERAL REVENUES			
					1,557,556
					223,223
					1,510
					75,590
					<u>1,857,879</u>
					CHANGE IN NET POSITION
					84,632
					NET ASSETS, Beginning
					<u>624,527</u>
					NET ASSETS, Ending
					<u>\$ 709,159</u>

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

THE ODYSSEY SCHOOL

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2014

	<u>GENERAL FUND</u>
ASSETS	
Cash	\$ 518,542
Cash Held by District	44,733
Accounts Receivable, net of allowance of \$3,145	1,757
Grants Receivable	9,525
Prepaid Expenses	<u>44,318</u>
 TOTAL ASSETS	 <u><u>\$ 618,875</u></u>
LIABILITIES AND FUND BALANCES	
LIABILITIES	
Accounts Payable	\$ 563
Payroll Liabilities	<u>3,365</u>
 TOTAL LIABILITIES	 <u>3,928</u>
FUND EQUITY	
Fund Balance	
Nonspendable	44,318
Restricted for Emergencies	62,000
Assigned	57,667
Unassigned	<u>450,962</u>
 TOTAL FUND BALANCES	 614,947
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.	<u>94,212</u>
Net position of governmental activities	<u><u>\$ 709,159</u></u>

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

THE ODYSSEY SCHOOL

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

	<u>GENERAL FUND</u>
REVENUES	
Local Sources	\$ 2,039,164
State and Federal Sources	<u>30,769</u>
TOTAL REVENUES	<u>2,069,933</u>
EXPENDITURES	
Current	
Instruction	1,276,531
Supporting Services	<u>723,688</u>
TOTAL EXPENDITURES	<u>2,000,219</u>
NET CHANGE IN FUND BALANCES	69,714
FUND BALANCES, Beginning	<u>545,233</u>
FUND BALANCES, Ending	<u><u>\$ 614,947</u></u>

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

THE ODYSSEY 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	\$ 69,714
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 is the amount by which capital outlay (\$47,586) exceeded depreciation (\$23,915) and less the value of a bus sold (\$8,753).	<u>14,918</u>
Change in net position of governmental activities	<u><u>\$ 84,632</u></u>

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

THE ODYSSEY SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Odyssey School (the “School”) was organized 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 School is a non-profit organization as defined in Section 501(c)(3) of the Internal Revenue Code.

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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.

THE ODYSSEY 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
(Continued)

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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

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.

THE ODYSSEY SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 transportation equipment, 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: Equipment over 8 years.

Net Position

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

- Investment in Capital Assets - This classification is intended to reflect the portion of net position which are associated with non-liquid, capital assets less outstanding capital assets related debt.
- Restricted Net Position – This classification represent liquid assets, which have third party limitations on their use. The School has classified Emergency Reserves as being restricted because their use is restricted by State Statute for declared emergencies.

THE ODYSSEY 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)

- Unrestricted Net Position - This classification represent assets that do not have any third party limitation on their use. While the school's management may have categorized and segmented portions for various purposes, the Board has the unrestricted authority to revisit or alter these managerial decisions.

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 – This classification includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact. All amounts reported at June 30, 2014, by the School are nonspendable in form as Prepaid Expenses.
- 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.
- Assigned – This classification includes amounts that are constrained by the School's intent to be used for specific purposes, but is neither restricted nor committed. Constraints imposed on the use of assigned amounts are more easily removed or changed than those imposed on committed amounts. The School had assigned fund balances for Technology (\$18,000), Van Acquisitions (\$14,667) and Teacher for Arts Program (\$25,000) at June 30, 2014.

THE ODYSSEY 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)

- 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 fund balances.

Compensated Absences

The School's policy allows employees to accumulate vacation and sick leave. Employees are not compensated for any unused leave. Therefore, no liability for accumulated vacation or sick leave 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 claims that exceeded insurable amounts in the last three years.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

A budget is adopted for all funds 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.

THE ODYSSEY SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

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. 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 \$518,542. The bank balances with the financial institutions were \$535,686. Of these balances, \$250,000 was covered by federal depository insurance and \$285,686 was covered by collateral held by authorized escrow agents in the financial institution's name (PDPA).

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 \$44,733.

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.

THE ODYSSEY SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

NOTE 3: CASH AND INVESTMENTS (Continued)

Credit Risk

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

- Obligations of the United States and certain U.S. Government Agency securities
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Local government investment pools
- 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 or interest rate risk.

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	\$ 183,667	\$ 47,586	\$ (39,937)	\$ 191,316
Accumulated Depreciation				
Equipment	<u>104,373</u>	<u>23,915</u>	<u>(31,184)</u>	<u>97,104</u>
Total Capital Assets, Depreciated	<u>\$ 79,294</u>	<u>\$ 23,671</u>	<u>\$ (8,753)</u>	<u>\$ 94,212</u>

Depreciation expense is charged to the supporting services program of the School.

THE ODYSSEY SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

NOTE 5: PENSION PLANS

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 is 4.16% of covered salary for calendar year 2014 (5.64% for 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, and members must contribute 8% of covered salary. For the years ending June 30, 2012, 2013, and 2014, the School's employer contributions for the SDTF were \$37,874, \$48,992, and \$50,472, respectively, 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 UAAL 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%, 11.36%, and 12.21%, of covered payroll for the fiscal years ended June 30, 2014, 2013, and 2012, respectively, to the District to cover its obligation relating to the PCOPs.

During the fiscal year ended June 30, 2014, 2013 and 2012, the School made contributions totaling \$111,345, \$116,411, and \$123,165, respectively, to the District towards its PCOPs obligation.

THE ODYSSEY SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

NOTE 6: COMMITMENTS AND CONTINGENCIES

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.

Facility Rent

The School entered into an operating lease agreement with the District for their building. Monthly lease payments of \$10,532 are due through June 30, 2015. The rate can be adjusted annually as long as the District gives the School seven months' notice.

Future minimum lease payments for the year ended June 30, 2015 are \$126,381. Total rent expense for the year ended June 30, 2014 was \$126,381.

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 \$62,000 was recorded as a reservation of fund balance in the General Fund. The District also holds \$44,733 in pooled cash on behalf of the School for this reserve.

REQUIRED SUPPLEMENTARY INFORMATION

THE ODYSSEY 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	\$ 1,571,599	\$ 1,541,535	\$ 1,557,556	\$ 16,021
Mill Levy Override	175,650	223,224	223,223	(1)
Tuition and Fees	49,920	48,095	44,935	(3,160)
Grants and Donations	121,628	128,500	136,350	7,850
Interest	4,362	2,000	1,510	(490)
Other	24,000	86,124	75,590	(10,534)
State and Federal Sources				
Grants and Donations	19,267	25,580	30,769	5,189
TOTAL REVENUES	<u>1,966,426</u>	<u>2,055,058</u>	<u>2,069,933</u>	<u>14,875</u>
EXPENDITURES				
Salaries	1,083,169	1,086,526	1,100,114	(13,588)
Employee Benefits	324,253	324,253	275,185	49,068
Purchased Services	433,700	443,484	446,878	(3,394)
Supplies and Materials	109,918	125,342	112,320	13,022
Property	22,200	76,955	62,223	14,732
Other	15,000	7,000	3,499	3,501
Appropriated Reserves	-	536,731	-	536,731
TOTAL EXPENDITURES	<u>1,988,240</u>	<u>2,600,291</u>	<u>2,000,219</u>	<u>600,072</u>
CHANGE IN FUND BALANCES	(21,814)	(545,233)	69,714	614,947
FUND BALANCE, Beginning	<u>484,687</u>	<u>545,233</u>	<u>545,233</u>	<u>-</u>
FUND BALANCE, Ending	<u>\$ 462,873</u>	<u>\$ -</u>	<u>\$ 614,947</u>	<u>\$ 614,947</u>

See the accompanying independent auditors' report.