

**MOUNTAIN VIEW CORE KNOWLEDGE
SCHOOL**

FINANCIAL STATEMENTS
With Independent Auditors' Report

For the Year Ended June 30, 2014

MOUNTAIN VIEW CORE KNOWLEDGE SCHOOL
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JUNE 30, 2014

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Mountain View Core Knowledge School

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Mountain View Core Knowledge School, a component unit of School District Fremont RE-1, as of and for the year ended June 30, 2014, which collectively comprise the School's basic financial statements as listed in the table of contents, and the related notes to the financial statements.

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, the business-type activities, and each major fund of Mountain View Core Knowledge School, as of June 30, 2014, and the respective

changes in financial position and, where applicable, cash flows 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 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.

Other Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Mountain View Core Knowledge School's financial statements as a whole. The other supplemental information is presented for purposes of additional analysis and is not a required part of the financial statements. The other supplemental information as listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Hoelting & Company Inc.

Colorado Springs, Colorado
November 20, 2014

MOUNTAIN VIEW CORE KNOWLEDGE SCHOOL
MANAGEMENT DISCUSSION AND ANALYSIS REPORT
FOR FISCAL YEAR ENDED JUNE 30, 2014

As Governing Board of Mountain View Core Knowledge 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 30th, 2014. Readers are encouraged to consider the information presented here in conjunction with the additional information furnished in the independent auditor's report and financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- Total assets of the school exceeded its total liabilities by \$948,207 during the fiscal year resulting in a positive net position balance.
- The School's total net position decreased \$35,935. The decrease is due to increased operational expenses through out the year.
- A long-term liability of \$1,379,546 consists of a note payable for the school's building and land.
- As of the close of the current fiscal year, the School's general fund reported an ending fund balance of \$420,768, a decrease of \$13,820 in comparison with the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis serves as an introduction of 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, (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 the 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 taxes and intergovernmental revenues (government 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 general government and School operations.

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.

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 statement, 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 and the statement of revenues, expenditures, and changes in fund balance.

Notes to the financial Statement

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 \$948,207 as of June 30, 2014 resulting in a positive net position balance.

77% of the School's assets are investment in capital assets. The assets consist of buildings, vehicles, and land development.

MOUNTAIN VIEW CORE KNOWLEDGE SCHOOL

Condensed Statement of Net Position

	FY 2013-14	FY 2012-13
Current and other assets	575,673	\$578,441
Capital assets	1,902,447	1,971,999
Total assets	<u>2,478,120</u>	<u>\$2,550,440</u>
Long-term liabilities	1,379,546	1,426,806
Other liabilities	150,367	139,492
Total liabilities	<u>1,529,913</u>	<u>\$1,566,298</u>
 NET POSITION:		
Net investment in capital assets	522,901	\$554,904
Restricted	47,500	46,500
Unrestricted	377,806	382,738
Total net position	<u>948,207</u>	<u>\$984,142</u>

Condensed Statement of Activities

	FY 2013-14	FY 2012-13
Revenues:		
Program revenues:		
Charges for services	198,929	\$213,675
Operating grants and contributions		
Capital grants and contributions	21,742	19,962
General revenues:		
State Equalization	1,445,371	1,385,937
Other revenues	22,651	41,408
Interest income	363	585
Total revenues	<u>1,689,056</u>	<u>\$1,661,567</u>
Expenses:		
Instruction	981,880	\$900,456
Support services	587,233	561,792
Food service	22,544	12,954
Facilities acquisition and construction	0	0
Interest on long term debt	0	0
Building Corporation	133,334	179,042
Total expenses	<u>1,724,991</u>	<u>\$1,654,244</u>
Change in net position	-35,935	7,323
Net position, beginning as restated	984,142	976,819
Net position, ending	<u>948,207</u>	<u>\$984,142</u>

ANALYSIS OF THE SCHOOL'S FUNDS

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 \$420,768 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 correct beginning fund balance.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Capital assets include all capital outlays related to capital assets at the school, building and improvements, land and equipment. The School's investment in capital assets at the end of the year was \$1,902,447.

Debt Administration

- At the end of the current fiscal year, the School had \$1,379,546 in debt outstanding for the buildings and land.
- Though the vision and priorities for MVCKS have stayed the course, the goals for continuous growth and innovation have served as a guiding compass for the school throughout the years. During the past five years, the school has refinanced its building lease loan a total of three times in order to better the financial stability of the school. As a part of the first refinance completed in 2009, the school was able to complete an unfinished gym, music room/stage, and cafeteria all while saving a yearly total of \$27,000. Our most recent refinance extended that yearly savings by reducing the interest rate and debt service.

ECONOMIC FACTORS

- Colorado and Canon City have slightly increased revenues from Fiscal Year 2012-13 to Fiscal Year 2013-14

REQUESTS FOR INFORMATION

This financial report is designed to provide the School's taxpayers and creditors with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Mountain View Core Knowledge School, 890 Field Avenue, Canon City, Colorado 81212.

BASIC FINANCIAL STATEMENTS

MOUNTAIN VIEW CORE KNOWLEDGE SCHOOL
STATEMENT OF NET POSITION
JUNE 30, 2014

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 328,058	\$ -	\$ 328,058
Receivable from primary government	233,826	-	233,826
Internal balance	4,078	(4,078)	-
Restricted cash and cash equivalents	-	13,789	13,789
Capital assets:			
Sites	-	474,460	474,460
Buildings and improvements	-	2,146,585	2,146,585
Vehicles	-	30,500	30,500
Less: accumulated depreciation	-	(749,098)	(749,098)
Total capital assets	-	1,902,447	1,902,447
Total assets	565,962	1,912,158	2,478,120
LIABILITIES			
Accounts payable	12,543	-	12,543
Accrued salaries and benefits	132,651	-	132,651
Accrued interest payable	-	5,173	5,173
Long-term liabilities			
Due within one year			
Notes payable	-	49,298	49,298
Due in more than one year			
Notes payable	-	1,330,248	1,330,248
Total liabilities	145,194	1,384,719	1,529,913
NET POSITION			
Net investment in capital assets	-	522,901	522,901
Restricted for TABOR	47,500	-	47,500
Unrestricted	373,268	4,538	377,806
Total net position	\$ 420,768	\$ 527,439	\$ 948,207

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

**MOUNTAIN VIEW CORE KNOWLEDGE SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014**

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Change in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities							
Instruction	\$ 981,880	\$ 87,710	\$ -	\$ 21,742	\$ (872,428)	\$ -	\$ (872,428)
Student support	22,612	-	-	-	(22,612)	-	(22,612)
Instructional staff	14,960	-	-	-	(14,960)	-	(14,960)
General administration	60,365	-	-	-	(60,365)	-	(60,365)
School administration	143,747	-	-	-	(143,747)	-	(143,747)
Business support services	15,996	-	-	-	(15,996)	-	(15,996)
Operating and maintenance	285,430	-	-	-	(285,430)	-	(285,430)
Transportation services	1,353	-	-	-	(1,353)	-	(1,353)
Central support services	42,046	-	-	-	(42,046)	-	(42,046)
Community services	724	-	-	-	(724)	-	(724)
Nutritional services	22,544	-	-	-	(22,544)	-	(22,544)
Total governmental activities	<u>1,591,657</u>	<u>87,710</u>	<u>-</u>	<u>21,742</u>	<u>(1,482,205)</u>		<u>(1,482,205)</u>
Business-type activities							
Building Corporation	133,334	111,219	-	-		(22,115)	(22,115)
Total	<u>\$ 1,724,991</u>	<u>\$ 198,929</u>	<u>\$ -</u>	<u>\$ 21,742</u>	<u>(1,482,205)</u>	<u>(22,115)</u>	<u>(1,504,320)</u>
General revenues:							
State equalization					1,445,371	-	1,445,371
Earnings on investments					363	-	363
Other revenues					22,651	-	22,651
Total general revenues					<u>1,468,385</u>	<u>-</u>	<u>1,468,385</u>
Change in net position					(13,820)	(22,115)	(35,935)
Net position - beginning					434,588	549,554	984,142
Net position - ending					<u>\$ 420,768</u>	<u>\$ 527,439</u>	<u>\$ 948,207</u>

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

**MOUNTAIN VIEW CORE KNOWLEDGE SCHOOL
BALANCE SHEET
GENERAL FUND
JUNE 30, 2014**

ASSETS

Cash and cash equivalents	\$ 328,058
Receivable from primary government	233,826
Due from other funds	<u>4,078</u>
Total assets	<u><u>\$ 565,962</u></u>

LIABILITIES

Accounts payable	\$ 12,543
Accrued salaries and benefits	<u>132,651</u>
Total liabilities	<u>145,194</u>

FUND BALANCES

Restricted for TABOR	47,500
Unassigned	<u>373,268</u>
Total fund balances	<u>420,768</u>
Total liabilities and fund balances	<u><u>\$ 565,962</u></u>

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

MOUNTAIN VIEW CORE KNOWLEDGE SCHOOL
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014

REVENUES

State sources	\$ 1,467,113
Local sources	110,724
	1,577,837
Total revenues	1,577,837

EXPENDITURES

Instruction	981,880
Supporting services	
Student support	22,612
Instructional staff	14,960
General administration	60,365
School administration	143,747
Business services	15,996
Operations and maintenance	285,430
Transportation services	1,353
Central support services	42,046
Community services	724
Nutritional services	22,544
	22,544
Total expenditures	1,591,657
Net change in fund balance	(13,820)
Fund balance - beginning	434,588
Fund balance - ending	\$ 420,768

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

**MOUNTAIN VIEW CORE KNOWLEDGE SCHOOL
STATEMENT OF NET POSITION
ENTERPRISE FUND
JUNE 30, 2014**

	<u>Building Corp Fund</u>
ASSETS	
Current assets:	
Restricted cash	\$ 13,789
Total current assets	<u>13,789</u>
Non-current assets:	
Capital assets	2,651,545
Accumulated depreciation	<u>(749,098)</u>
Total non-current assets	<u>1,902,447</u>
Total assets	<u>1,916,236</u>
LIABILITIES	
Current liabilities:	
Accrued interest payable	5,173
Due to other funds	4,078
Notes payable current portion	<u>49,298</u>
Total current liabilities	<u>58,549</u>
Noncurrent liabilities	
Note payable	<u>1,330,248</u>
Total liabilities	<u>1,388,797</u>
NET POSITION	
Net investment in capital assets	522,901
Unrestricted	<u>4,538</u>
Total net position	<u>\$ 527,439</u>

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

MOUNTAIN VIEW CORE KNOWLEDGE SCHOOL
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2014

	Building Corp Fund
OPERATING REVENUES	
Rental Income	\$ 111,219
Total operating revenues	111,219
OPERATING EXPENSES	
Interest expense	63,783
Total operating expenses	63,783
Operating income (loss)	47,436
NON-OPERATING REVENUES (EXPENSES)	
Depreciation	(69,551)
Total non-operating revenue (expenses)	(69,551)
Change in net position	(22,115)
Net position - beginning	549,554
Net position - ending	\$ 527,439

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

**MOUNTAIN VIEW CORE KNOWLEDGE SCHOOL
STATEMENT OF CASH FLOWS
ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Building Corp Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from lessee	\$ 111,219
Interest payments on loan	<u>(59,881)</u>
Net cash provided (used) by operating activities	<u>51,338</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal payments on loan	<u>(47,260)</u>
Net cash provided (used) by capital and related financing activities	<u>(47,260)</u>
Net increase (decrease) in cash and cash equivalents	4,078
Cash and cash equivalents - beginning	<u>9,711</u>
Cash and cash equivalents - ending	<u><u>\$ 13,789</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ 47,436
Change in assets and liabilities:	
Increase (decrease) in accrued interest payable	(176)
Increase (decrease) in due to other funds	<u>4,078</u>
Net cash provided (used) by operating activities	<u><u>\$ 51,338</u></u>

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

NOTES TO FINANCIAL STATEMENTS

MOUNTAIN VIEW CORE KNOWLEDGE SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Mountain View Core Knowledge School (the School) is organized pursuant to the Colorado Charter Schools Act, to form and operate a charter school within School District Fremont RE-1 (the District). The School began operations during the 1996-97 fiscal year.

The financial statements of the School have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to government units. 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.

Blended component unit. Mountain View Building Corporation (the Corporation) was organized for the purpose of acquiring, leasing, constructing, improving, equipping and financing various facilities, land, equipment and other improvements in connection with property intended to be leased to the School. The Corporation is reported as an enterprise fund and does not issue separate financial statements.

The School is considered a component unit of the District. The School's charter agreement is approved and may be terminated by the District. In addition, the School is deemed to be fiscally dependent upon the District because the District provides the majority of the support to the School in the form of per pupil operating revenue.

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, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds and enterprise 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 per pupil revenue and intergovernmental revenues. *Business-type activities* rely to a significant extent on fees and charges to external customers for support. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

MOUNTAIN VIEW CORE KNOWLEDGE SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. BASIS OF PRESENTATION—FUND FINANCIAL STATEMENTS

The fund financial statements provide information about the government's funds, including its blended component units. Separate statements for each fund category – governmental and proprietary – are presented. 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 by the District is consistent with legal and managerial requirements.

The School reports the following major governmental fund:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The School reports the following major proprietary fund:

An *Enterprise Fund* is used to account for those operations financed and operated in a manner similar to private business or where the board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. The Building Corporation is accounted for as an enterprise fund.

During the course of operations the School has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

D. MEASUREMENT FOCUS, 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.

MOUNTAIN VIEW CORE KNOWLEDGE SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. MEASUREMENT FOCUS, BASIS OF ACCOUNTING (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 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.

The proprietary fund is reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, 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.

Receivables

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

Restricted Cash and Investments

Certain cash and investments items are classified as restricted assets on the balance sheet because they are maintained in separate accounts and their use is limited by applicable trust and debt agreements.

MOUNTAIN VIEW CORE KNOWLEDGE SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE (CONTINUED)

Capital assets

Capital assets, which include buildings, leasehold improvements, and vehicles, 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. The capitalization level for equipment is \$5,000. 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 or remaining period of the lease, as applicable.

Land and construction in progress is not depreciated. Buildings, leasehold improvements, and vehicles of the government are depreciated using the straight-line method over the following estimated useful lives:

Buildings	50 years
Leasehold improvements	15 years
Vehicles	5 years

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.

Accrued Salaries and Benefits

Salaries and retirement benefits of certain contractually employed personnel are paid over twelve month period from August to July, but are earned during a school year of approximately nine to ten months. The salaries and benefits earned, but unpaid, are reported as a liability of the General Fund.

MOUNTAIN VIEW CORE KNOWLEDGE SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE (CONTINUED)

Long-term debt

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as a liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize premiums and discounts, as well as issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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.

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.

MOUNTAIN VIEW CORE KNOWLEDGE SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE (CONTINUED)

Fund balance classification (continued)

Assigned – This classification includes amounts that are constrained by the School’s intent to be used for a specific purpose but are neither restricted or 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) charges to customers for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as programs revenues. Likewise, general revenues include all state equalization.

Proprietary funds operating and non-operating revenues and expenses

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the School’s enterprise funds are rental income. Operating expenses for enterprise funds include interest expense. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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.

MOUNTAIN VIEW CORE KNOWLEDGE SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary 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 Statute for all funds. During April, 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. Public hearings are conducted by the Board of Directors to obtain taxpayer comments. 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 balances result from the non-expenditure of reserves, nonoccurrence of anticipated events, and normal operating variances. The Board of Directors may authorize supplemental appropriations during the year. For budgetary management purposes, funds are appropriated for capital outlays.

Excess of expenditures over appropriations

For the year ended June 30, 2014, expenditures exceeded appropriations in the Enterprise Fund by \$61,043, which may be a violation of state statutes. These over expenditures, which were primarily related to unbudgeted interest payments, were funded by rental income received during the year.

NOTE 3 – DEPOSITS AND INVESTMENTS

Cash deposits with financial institutions

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 local government entities deposit cash in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. 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.

MOUNTAIN VIEW CORE KNOWLEDGE SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

Cash deposits with financial institutions (continued)

The carrying amount of the School’s deposits at June 30, 2014 was \$41,395 and the bank balance was \$63,064. All of the bank balances were covered by federal deposit insurance.

Investments

The School is authorized by Colorado statutes to invest in the following:

- ◆ 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 funds;
- ◆ Guaranteed investment contracts.

Credit Risk. State law limits investments to those described above. The School does not have an investment policy that would further limit its investment choices. As of June 30, 2014, Standard & Poor's rated ColoTrust AAAM.

COLOTRUST is an investment vehicle established for local government entities in Colorado pursuant to Part 7 of Article 75 of Title 24 of the Colorado Revised Statutes, to pool surplus funds for investment purposes. These investment vehicles operate similarly to money market funds and each share is equal in value to \$1.00. The fair value of the position in the pool is the same as the value of the pool shares.

The designated custodial bank provides safekeeping and depository services to COLOTRUST in connection with the direct investment and withdrawal functions of COLOTRUST. Substantially all securities owned by COLOTRUST are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian’s internal records identify the investments owned by COLOTRUST. Investments of COLOTRUST consist of U.S. Treasury bills, notes and note strips, and repurchase agreements collateralized by U.S. Treasury Notes. However, the School does not categorize investments with COLOTRUST because they are not evidenced by securities that exist in physical or book entry form.

The restricted and unrestricted cash and cash equivalents at June 30, 2014 consist of the following:

	Unrestricted Cash and Cash <u>Equivalents</u>	Restricted Cash and Cash <u>Equivalents</u>	<u>Total</u>
Deposits	\$ 27,606	\$ 13,789	\$ 41,395
ColoTrust	<u>300,452</u>	<u>-</u>	<u>300,452</u>
Total deposits and investments	<u>\$ 328,058</u>	<u>\$ 13,789</u>	<u>\$ 341,847</u>

MOUNTAIN VIEW CORE KNOWLEDGE SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 4 – INTERFUND RECEIVABLES AND PAYABLES

All interfund receivables and payables are created in conjunction with the School’s debt service and rental payments to the Building Corporation.

The composition of interfund balances at June 30, 2014 is as follows:

	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 4,078	\$ -
Enterprise Fund	-	4,078

NOTE 5 - CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<i>Business-type Activities</i>				
Non-depreciable assets:				
Land	\$ 474,460	\$ -	\$ -	\$ 474,460
Depreciable assets:				
Building and improvements	2,146,585	-	-	2,146,585
Vehicles	<u>30,500</u>	-	-	<u>30,500</u>
Total depreciable assets	<u>2,177,085</u>	-	-	<u>2,177,085</u>
Less accumulated depreciation for:				
Building and improvements	649,047	69,551	-	718,598
Vehicles	<u>30,500</u>	-	-	<u>30,500</u>
Total accumulated depreciation	<u>679,547</u>	<u>69,551</u>	-	<u>749,098</u>
Total depreciable assets, net	<u>1,497,538</u>	<u>(69,551)</u>	-	<u>1,427,987</u>
<i>Business-type activities capital assets, net</i>	<u>\$ 1,971,998</u>	<u>\$ (69,551)</u>	<u>\$ -</u>	<u>\$ 1,902,447</u>

MOUNTAIN VIEW CORE KNOWLEDGE SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 6 – LONG-TERM LIABILITIES

Building and improvements loan

Principal
Balance

On October 2, 2012 Mountain View Building Corporation, Inc. took out a mortgage loan to pay off a note dated September 1, 2009 taken out to finance building additions and improvements to the School's building. The October 2, 2012 loan is in the original amount of \$1,456,900 due in monthly installments through October 02, 2017 at an interest rate of 4.50%.

\$ 1,379,546

The changes in long-term debt for the year ended June 30, 2014 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Note payable	\$ 1,426,806	\$ -	\$ 47,260	\$ 1,379,546	\$ 49,298

Annual debt service requirements to maturity for the note payable are as follows:

Fiscal Year <u>Ending June 30</u>	<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2015	\$ 49,298	\$ 61,921
2016	51,431	59,789
2017	54,012	57,228
2018	<u>1,224,805</u>	<u>18,573</u>
Total	<u>\$ 1,379,546</u>	<u>\$ 197,511</u>

MOUNTAIN VIEW CORE KNOWLEDGE SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 7 - 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 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 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 8). 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). For the years ending June 30, 2012, 2013 and 2014 the School's employer contributions to the SDTF were \$99,286, \$105,713 and \$120,281 respectively, equal to their required contributions for the year.

NOTE 8 - POST-EMPLOYMENT 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 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).

MOUNTAIN VIEW CORE KNOWLEDGE SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 8 - POST-EMPLOYMENT HEALTHCARE BENEFITS (CONTINUED)

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 7) is established under Title 24, Article 51, Section 208 of the C.R.S., as amended. For the years ending June 30, 2012, 2013 and 2014 the School's employer contributions to the HCTF were \$7,140, \$7,150, and \$7,674 respectively, equal to their required contributions for each year.

NOTE 9 - 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 10 – CONCENTRATION OF RISK

The School is funded directly by School District Fremont RE-1 (the District) based on the District's per pupil funding. For the fiscal year ended June 30, 2014, this funding along with pass-through grant funding accounted for approximately 93% of the School's revenues.

NOTE 11 - COMMITMENTS AND CONTINGENCIES

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.

MOUNTAIN VIEW CORE KNOWLEDGE SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 12 - 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 is a \$47,500 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 13 – 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

MOUNTAIN VIEW CORE KNOWLEDGE SCHOOL
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Amounts	Variance with
	Original	Final		Final Budget - Positive (Negative)
REVENUES				
Local sources				
Tuition	\$ 72,000	\$ 72,000	\$ 78,160	\$ 6,160
Student activities	21,000	21,000	21,390	390
Interest on investments	600	600	363	(237)
Other local sources	-	-	10,811	10,811
Total local sources	<u>93,600</u>	<u>93,600</u>	<u>110,724</u>	<u>17,124</u>
State sources				
State equalization	1,438,933	1,438,933	1,445,371	6,438
Capital construction grant	20,000	20,000	21,742	1,742
Total state sources	<u>1,458,933</u>	<u>1,458,933</u>	<u>1,467,113</u>	<u>8,180</u>
Total revenues	<u>1,552,533</u>	<u>1,552,533</u>	<u>1,577,837</u>	<u>25,304</u>
EXPENDITURES				
Instruction	938,920	938,919	981,880	(42,961)
Supporting services				
Student support	22,500	22,500	22,612	(112)
Instructional staff	12,888	12,888	14,960	(2,072)
General administration	72,000	72,000	60,365	11,635
School administration	133,739	133,739	143,747	(10,008)
Business services	16,000	16,000	15,996	4
Operations and maintenance	281,892	281,892	285,430	(3,538)
Student transportation	-	-	1,353	(1,353)
Central support service	35,500	35,500	42,046	(6,546)
Community services	-	-	724	(724)
Nutritional services	15,500	15,500	22,544	(7,044)
Facilities acquisition	5,000	5,000	-	5,000
Contingency reserve	71,448	71,448	-	71,448
Total expenditures	<u>1,605,387</u>	<u>1,605,386</u>	<u>1,591,657</u>	<u>13,729</u>
Net change in fund balance	(52,854)	(52,853)	(13,820)	39,033
Fund balance - beginning	370,005	434,588	434,588	-
Fund balance - ending	<u>\$ 317,151</u>	<u>\$ 381,735</u>	<u>\$ 420,768</u>	<u>\$ 39,033</u>

See the accompanying Independent Auditors' Report.

OTHER SUPPLEMENTAL INFORMATION

MOUNTAIN VIEW CORE KNOWLEDGE SCHOOL
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

	Actual	Budget	Variance Favorable (Unfavorable)
REVENUES			
Beginning fund balance	\$ 4,362	\$ -	\$ 4,362
Rental income	111,219	-	111,219
Total revenues	115,581	-	115,581
EXPENDITURES			
Principal payments on debt	47,260	50,000	2,740
Interest expense	63,783	-	(63,783)
Total expenditures	111,043	50,000	(61,043)
ENDING FUND BALANCE	4,538	\$ (50,000)	\$ 54,538
Add:			
Principal payments on long-term debt	47,260		
Less:			
Beginning fund balance	(4,362)		
Depreciation	(69,551)		
CHANGE IN FUND NET POSITION	\$ (22,115)		
Ending fund balance is calculated as follows:			
Current assets	\$ 13,789		
Current liabilities	(58,549)		
Add current portion of notes payable	49,298		
Ending fund balance	\$ 4,538		

See the accompanying independent auditors' report.