

Cardinal Community Academy



FINANCIAL REPORT

Year Ended June 30, 2016

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Independent Auditors' Report

Board of Directors
Cardinal Community Academy
Keenesburg, Colorado

We have audited the accompanying financial statements of the governmental activities and the major fund of Cardinal Community Academy (the School), a component unit of Weld County School District RE-3(J), as of and for the year ended June 30, 2016, 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 by fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion 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 account 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the School as of June 30, 2016, and the changes in the financial position and the budgetary comparison for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Accounting principles generally accepted in the United States require that management discussion and analysis and pension information 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, 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 evidence sufficient to express an opinion or provide any assurance.

Anderson & Whitney, P.C.

November 30, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the report provides readers with a narrative overview and analysis of the financial activities of Cardinal Community Academy for the year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with the basic financial statements to enhance their understanding of the School's financial performance.

FINANCIAL HIGHLIGHTS

- Cardinal Community Academy's liabilities exceeded assets by \$362,568 at June 30, 2016.
- The General Fund balance was \$932,144 as of June 30, 2016.
- The June 30, 2016 General Fund balance is \$239,569 more than the previous year. The total fund balance is 70% of 2016 General Fund operating expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the School's basic financial statements. The basic financial statements contain three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. In addition to the basic statements, this report also contains other supplementary information.

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 School's financial position is improving or deteriorating.

The *statement of activities* presents information showing how the School's net position changed during the 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 the statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected fees).

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. Cardinal Community Academy, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Cardinal Community Academy are recorded in a General Fund.

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 a government'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 government'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*.

Cardinal Community Academy 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.

The basic governmental fund financial statements can be found on pages 10 through 13 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 14 through 26 of this report.

Budgetary Comparisons. Cardinal Community Academy adopts an annual appropriated budget for the General Fund. A budgetary comparison statement has been provided for the General Fund on page 27 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. As of June 30, 2016, liabilities exceeded assets by \$362,568.

The following table provides a summary of the School's net position for 2016 and 2015.

June 30	Governmental Activities	
	2016	2015
Assets:		
Current and other assets	\$ 991,506	\$ 759,801
Capital assets	886,533	923,688
Total assets	1,878,039	1,683,489
Deferred Outflows of Resources	288,335	145,288
Liabilities:		
Current and other liabilities	91,324	97,155
Long-term liabilities	2,405,176	2,171,757
Total liabilities	2,496,500	2,268,912
Deferred Inflows of Resources	32,442	152
Net Position:		
Net investment in capital assets	745,069	752,295
Restricted	46,753	42,760
Unassigned	(1,154,390)	(1,235,342)
Total net position(deficit)	\$ (362,568)	\$ (440,287)

A significant portion of Cardinal Community Academy’s net position represents an unrestricted net deficient of \$1,154,390 which may be used to meet the School’s ongoing obligations to students and creditors.

An additional \$46,753 of the School’s net position represents resources that are subject to external restriction on how they may be used. Included in this category is the TABOR emergency reserve of \$46,753.

Another significant portion of the School’s net position reflects its investment in capital assets. These assets include land, buildings, and equipment. These capital assets are used to provide services to students; consequently, they are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities. The only long-term debt is the loan issued for the construction of the school buildings.

The following table indicates the changes in net position:

	Governmental Activities	
	2016	2015
Revenues:		
Program revenues:		
Operating grants and contributions	\$ 135,265	\$ 151,297
Capital grants and contributions	42,806	26,111
General revenues:		
Per Pupil Revenue	1,289,602	1,091,341
Mill Levy override	89,501	85,923
Investment earnings	1,284	1,406
Total revenues	1,558,458	1,356,078
Expenses:		
Instruction	905,505	797,723
Student services	72,837	88,146
General administrative services	340,614	315,937
Operations and maintenance	87,245	97,739
Unallocated depreciation	64,134	64,382
Interest on long-term debt	10,404	12,616
Total expenses	1,480,739	1,376,543
Increase (decrease) in net position	\$ 77,719	\$ (20,465)

Governmental Activities. Governmental activities increased Cardinal Community Academy’s net position by \$77,719 in 2016. Key elements of this increase are as follows:

- Total revenues were \$1,558,458, which represents a 15% increase from the prior year. This is primarily due to an increase in funded pupil count.
- Expenses totaled \$1,480,739, which represents a 7.5% increase from the previous year, primarily due to GASB Statement No. 68 which charges pension expenses as they are earned instead of when pension contributions are made.

FINANCIAL ANALYSIS OF THE SCHOOLS FUNDS

As noted earlier, Cardinal Community Academy uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The School has one major governmental fund, the General Fund.

General Fund. This is the primary operating fund of the Cardinal Community Academy. It accounts for the School's core services, such as instruction and student services. The general fund balance was \$932,144 as of June 30, 2016. The 2016 fund balance is \$239,569 more than the previous year, primarily due to spending controls and a small increase in enrollment.

GENERAL FUND BUDGETARY HIGHLIGHTS

The School's budget is prepared according to Colorado statutes. The most significant budgeted fund is the General Fund.

2016 General Fund Budget

	Final Budget	Actual
Beginning Fund Balance	\$ 692,575	\$ 692,575
Revenue	1,593,587	1,558,459
Expenditures	(1,450,893)	(1,318,890)
Ending Fund Balance	\$ 835,269	\$ 932,144

The original budget was amended by \$49,430 to allow for additional teachers aids and other expenses which were not included in the original budget. Enrollment in excess of budget funded this increase.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. Cardinal Community Academy's investment in capital assets for its governmental type activities as of June 30, 2016 totals \$886,533 (net of accumulated depreciation). This investment includes all land, buildings, and equipment. The total decrease in investment in capital assets for the current year was \$37,154, due to depreciation expense.

The School implemented the straight-line depreciation method under GASB 34 for its capital assets, except for land which is not depreciated.

Additional information on the School's capital assets can be found in Note 2 of this report.

Long-term Debt. At June 30, 2016, Cardinal Community Academy had \$141,464 of notes payable, funded from Per Pupil Revenue. It is anticipated to be repaid over approximately four years.

Additional information on Cardinal Community Academy's debt can be found in Note 5.

OTHER MATTERS

The following factors are expected to have a significant effect on the School's financial position and results of operations and were taken into account in developing the 2016-2017 budget:

- Based on the October 1, 2016 student count, the enrollment for 2016-2017 has decreased to approximately 163 FTE from 166 FTE in 2015-2016. This will result in lower per-pupil revenues.
- Due to the recently approved bond and mill levy override, we will have increased income as well as increased expenses for approved bond and mill levy override projects in the 2016-2017 school year.
- CCA intends to make improvements or modifications in the following areas: building/maintenance, technology, student instructional initiatives and staff retention and recruitment.
- Insurance premiums are expected to continue to increase.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Cardinal Community Academy's finances for all those with an interest in the School's finances. Questions concerning any of the information provided or requests for additional financial information should be addressed to the School, 3101 WCR 65, Keenesburg, Colorado 80643.

CARDINAL COMMUNITY ACADEMY

STATEMENT OF NET POSITION

June 30, 2016

ASSETS

Current Assets:

Cash	\$	983,099
Grants receivable		8,407

Total Current Assets		991,506
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Noncurrent Assets:

Capital assets		1,634,695
Less: Accumulated depreciation		(748,162)

Total Noncurrent Assets		886,533
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Total Assets		1,878,039
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Deferred Outflows of Resources:

Pension Plan		288,335
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LIABILITIES

Current Liabilities:

Accrued salaries and benefits		56,760
Accounts payable		2,602
Current portion of long-term debt		31,962

Total Current Liabilities		91,324
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Noncurrent Liabilities:

Notes payable		109,502
Net pension liability		2,295,674

Total Liabilities		2,496,500
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Deferred Inflows of Resources:

Pension Plan		32,442
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NET POSITION

Net investment in capital assets		745,069
Restricted for TABOR emergencies		46,753
Unassigned		(1,154,390)

TOTAL NET POSITION (DEFICIT)	\$	(362,568)
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See Accompanying Notes to Financial Statements.

CARDINAL COMMUNITY ACADEMY

STATEMENT OF ACTIVITIES

Year Ended June 30, 2016	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Functions/Programs:					
Governmental activities:					
Instruction	\$ 905,505	\$ -	\$ 135,265	\$ -	\$ 770,240
Support services:					
Student services	72,837	-	-	-	72,837
General administration	340,614	-	-	-	340,614
Operations and maintenance	87,245	-	-	42,806	44,439
Unallocated depreciation	64,134	-	-	-	64,134
Interest on long-term debt	10,404	-	-	-	10,404
Total Support Services	575,234	-	-	42,806	532,428
TOTAL GOVERNMENTAL ACTIVITIES	\$ 1,480,739	\$ -	\$ 135,265	\$ 42,806	\$ 1,302,668
General Revenues:					
Per pupil revenue				\$	1,289,602
Mill levy override					89,501
Investment earnings					1,284
Total General Revenue					1,380,387
Change in Net Position					77,719
Net Position - Beginning					(440,287)
NET POSITION - Ending				\$	(362,568)

See Accompanying Notes to Financial Statements.

CARDINAL COMMUNITY ACADEMY

BALANCE SHEET - GENERAL FUND

June 30, 2016

ASSETS

Cash	\$ 983,099
Grants Receivable	8,407

TOTAL ASSETS	\$ 991,506
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LIABILITIES

Accrued Salaries and Benefits	\$ 56,760
Accounts Payable	2,602

Total Liabilities	59,362
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EQUITY

Fund Balance:	
Reserved for TABOR emergencies	46,753
Unassigned	885,391

Total Equity	932,144
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TOTAL LIABILITIES AND EQUITY	\$ 991,506
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See Accompanying Notes to Financial Statements.

CARDINAL COMMUNITY ACADEMY

RECONCILIATION OF THE GENERAL FUND BALANCE SHEET WITH THE STATEMENT OF NET POSITION

June 30, 2016

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

Total General Fund Balance	\$ 932,144
Capital assets used in governmental activities are not financial resources and therefore not reported as net assets in the general fund.	
Cost of capital assets	1,634,695
Accumulated depreciation	(748,162)
Deferred inflows and outflows of resources related to pensions	255,893
Long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported as liabilities in the general fund. Long-term liabilities at year end consist of:	
Notes payable	(141,464)
Net pension liability	(2,295,674)
TOTAL NET POSITION (DEFICIT) - GOVERNMENTAL ACTIVITIES	\$ (362,568)

See Accompanying Notes to Financial Statements.

CARDINAL COMMUNITY ACADEMY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - General Fund

Year Ended June 30, 2016	General Fund
Revenue:	
Local sources	\$ 89,501
State sources	1,368,878
Interest income	1,284
Contributions and other	98,796
Total Revenue	1,558,459
Expenditures:	
Current:	
Instruction	788,671
Supporting services	462,906
Capital outlay	26,980
Debt service	40,333
Total Expenditures	1,318,890
Revenue Over Expenditures	239,569
Fund Balance, Beginning of Year	692,575
Fund Balance, End of Year	\$ 932,144

See Accompanying Notes to Financial Statements.

CARDINAL COMMUNITY ACADEMY

RECONCILIATION OF THE GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2016

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

Total net change in governmental fund fund balance	\$ 239,569
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 assets and allocated over their estimated useful lives as depreciation expense in the statement of activities:	
Capital Outlay	26,980
Depreciation Expense	(64,134)
Repayment of loan principal is an expenditure in the governmental funds, but it reduces long-term debt in the statement of net position and does not affect the statement of activities	29,929
The General Fund reports School pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned, net of employee contributions, is reported as pension expense	(154,625)
<u>Change in Net Position of Governmental Activities</u>	<u>\$ 77,719</u>

See Accompanying Notes to Financial Statements.

CARDINAL COMMUNITY ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - Summary of Significant Accounting Policies:

The accounting and reporting policies of Cardinal Community Academy (the School) conform to generally accepted accounting principles. The following summary of significant accounting policies is presented to assist the reader in evaluating the School's financial statements.

Reporting Entity:

The School was formed as a Colorado nonprofit corporation in 1998 to operate a charter school under the Charter Schools Act (Colorado Revised Statute §22-30.5). As such, the School is a public school within Weld County School District RE-3(J) (the District), operating under a charter granted by the District's board of education. The charter is effective until June 30, 2025, at which time it may be renewed by the District. Under the terms of the charter, the School is responsible for its own operation, including preparation of a budget, contracting for services, and personnel matters. It may not obligate the District or pledge the full faith and credit of the District.

The School is funded at 100% of per pupil revenue (PPR) as defined by the State of Colorado, reduced by administrative charges incurred by the District. As such, future funding is dependent on the level of the PPR set by the State of Colorado Legislature and number of full-time equivalent (FTE) students. As of the designated count day, October 1, 2015, there were 166 funded students enrolled.

The financial report of the School includes all of the integral parts of the School's operations. The School has determined that it has no fiscal accountability for any other agency which would require it to be in the reporting entity. The School is reported as a discretely presented component unit of the District.

Basis of Presentation:

Government-wide Financial Statements:

The School's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information. The government-wide focus is more on the sustainability of the School as an entity and the change in aggregate financial position resulting from activities of the fiscal period.

The statement of net position and the statement of activities display information about the school as a whole. The government-wide statement of net position is presented on a consolidated basis. These statements include the financial activities of the primary government, except for fiduciary activities. For the most part, the effect of interfund activity has been removed from these statements.

CARDINAL COMMUNITY ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - Summary of Significant Accounting Policies - Continued:

Basis of Presentation - Continued:

Government-wide Financial Statements – Continued:

The government-wide statement of activities reflects both the direct expenses and net cost of each function of the School's governmental activities. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include charges paid by the recipient for the goods or services offered by the program. Grants and contributions that are restricted to meeting the operational requirements of a particular program are included in operating grants and contributions. Grants and contributions that are restricted to capital requirements of a particular program are included in capital grants and contributions. Revenues which are not classified as program revenues are presented as general revenues of the School. The comparison of direct expenses with program revenues identifies the extent to which each government function is self-financing or draws from the general revenues of the School.

Fund Financial Statements:

The financial transactions of the School are recorded in individual funds. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Separate statements for each fund category are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. Any remaining governmental funds would be aggregated and presented as non-major funds.

The School reports the following Governmental Fund:

General Fund:

The General Fund is a general operating fund of the School and accounts for all financial resources of the School that are not properly accounted for in other funds. It is used to account for the instructional and support services programs of the School. The revenue of the fund consists primarily of funding provided through the District.

Measurement Focus:

Governmental-wide Statements:

The government-wide statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the School gives (or receives) value without directly receiving (or giving) equal value in exchange, include per pupil revenue, grants, and donations. Revenue from per pupil revenue is recognized in the fiscal year for which the funding is provided. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

CARDINAL COMMUNITY ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - Summary of Significant Accounting Policies - Continued:

Measurement Focus - Continued:

Governmental-wide Statements - Continued:

Under the terms of grant agreements, the School funds certain programs by a combination of specific grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the School's policy to first apply grant resources (restricted net position) to such programs and then general revenues (unrestricted net position).

Fixed Assets:

Fixed assets, which include property and equipment, are reported in the governmental activities column in the government-wide financial statements. All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available.

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.

All reported capital assets, except for land, are depreciated. Depreciation on all assets is provided on the straight-line method over the following estimated useful lives:

Buildings	30 - 40 years
Equipment	3 - 10 years

Estimates:

Accounting estimates are an integral part of the financial statements prepared by management and are based upon management's current judgments. As such, actual results could differ from those estimates.

Budget:

An annual budget and appropriation resolution is adopted by the Board of Directors. The budget is prepared on a basis consistent with generally accepted accounting principles.

Any budget revisions that alter the total appropriation must be approved by the Board of Directors through a supplemental appropriation resolution. The budget was amended during the year ended June 30, 2016.

CARDINAL COMMUNITY ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - Summary of Significant Accounting Policies - Continued:

Employee Leave:

Full-time salaried employees receive eight days of personal leave each school year. Personal leave can be accrued and carried forward, but cannot exceed 20 days in any academic year.

Income Taxes:

The School is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code, and is not classified as a private foundation. Accordingly, no provision is made in these financial statements for income taxes.

Net Position:

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation reduced by the outstanding balances of borrowing used for acquisition and construction of improvements of those assets. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the School or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Deferred Outflows and 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 future periods and so will not be recognized as an outflow of resources (expense/expenditures) until then. The School has one item that qualifies for reporting in this category: changes in the net pension liability not included in pension expense reported in the government-wide statement of net position.

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 future periods and so will not be recognized as an inflow of resources (revenue) until that time. The School has one type of item that qualifies for reporting in this category: changes in the net pension liability not included in pension expense reported in the government-wide statement of net position.

CARDINAL COMMUNITY ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - Summary of Significant Accounting Policies - Continued:

Pensions:

Cardinal Community Academy participates in the School Division Trust Fund (SCHDTF), a cost-sharing multiple-employer defined benefit pension fund administered by the Public Employees' Retirement Association of Colorado (PERA). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the SCHDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Implementation of GASB Statement No. 68 and GASB Statement No. 71:

As of July 1, 2014, the School adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The implementation of these standards requires governments calculate and report the costs and obligations associated with pensions in their basic financial statements. Employers are required to recognize pension amounts for all benefits provided through the plan which include the net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense.

NOTE 2 - Changes in Capital Assets:

	Balance, 7/1/15	Additions	Deletions	Balance, 6/30/16
Land and Improvements	\$ 115,780	\$ --	\$ --	\$ 115,780
Building and Improvements	1,157,882	14,288	--	1,172,170
Furniture and Equipment	334,053	12,692	--	346,745
	1,607,715	26,980	--	1,634,695
Less: Accumulated Depreciation	684,028	64,134	--	748,162
Total Capital Assets	\$ 923,687	\$(37,154)	\$ --	\$ 886,533

CARDINAL COMMUNITY ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 3 - Cash:

The School's bank accounts are with commercial banks. At June 30, 2016, the School's carrying amount for deposits was \$983,099. FDIC insurance covers \$250,000 of the balance, with the remainder being collateralized through the Public Deposit Protection Act.

NOTE 4 - Accrued Salaries and Benefits:

Salaries of certain personnel are paid over a twelve-month period from August to July, but are earned during a school year of approximately nine months. The salaries and benefits earned, but unpaid, as of June 30, 2016 are estimated to be \$56,760.

NOTE 5 - Long-Term Debt:

June 30	2016
Note payable to a bank in monthly installments of \$3,361 with balance due in June 2020, interest of 6.5%, collateralized by property	\$ 141,464

Changes in long-term debt were as follows:

	Balance, 07/01/15	Additions	Deductions	Balance, 06/30/16
Note payable – bank	\$ 171,393	\$ --	\$ 29,929	\$ 141,464

Future maturities of long-term debt are as follows:

Year Ending June 30	Annual Maturities
2017	\$ 31,962
2018	34,133
2019	36,443
2020	38,926
	\$ 141,464

CARDINAL COMMUNITY ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 6 - PERA:

Cardinal Community Academy participates in the School Division Trust Fund (SCHDTF), a cost-sharing multiple-employer defined benefit pension fund administered by the Public Employees' Retirement Association of Colorado (PERA). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the SCHDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Plan description: Eligible employees of the Cardinal Community Academy are provided with pensions through the School Division Trust Fund - a cost-sharing multiple-employer defined benefit pension plan administered by PERA. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (C.R.S.), administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits provided: PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

The lifetime retirement benefit for all eligible retiring employees under the PERA benefit structure is the greater of the:

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit
- The value of the retiring employee's member contribution account plus a 100 percent match on eligible amounts as of the retirement date. This amount is then annuitized into a monthly benefit based on life expectancy and other actuarial factors.

In all cases the service retirement benefit is limited to 100 percent of highest average salary and also cannot exceed the maximum benefit allowed by the Internal Revenue Code.

CARDINAL COMMUNITY ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 6 – PERA – Continued:

Members may elect to withdraw their member contribution accounts upon termination of employment with all PERA employers; waiving rights to any lifetime retirement benefits earned. If eligible, the member may receive a match of either 50 percent or 100 percent on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether 5 years of service credit has been obtained and the benefit structure under which contributions were made.

Benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 receive an annual increase of 2 percent, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 receive an annual increase of the lesser of 2 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's annual increase reserve for the SCHDTF.

Contributions: Eligible employees and Cardinal Community Academy are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. § 24-51-401, *et seq.* Eligible employees are required to contribute 8 percent of their PERA-includable salary. The employer contribution requirements are summarized as follows:

Years Ended December 31	2016	2015
Employer contribution rate as a percentage of salary	10.15%	10.15%
Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f)	(1.02)	(1.02)
Amount Apportioned to the SCHDTF	9.13	9.13
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411	4.50	4.20
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411	4.50	4.00
Total Employer Contribution Rate to the SCHDTF	18.13%	17.33%

CARDINAL COMMUNITY ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 6 – PERA – Continued:

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the Cardinal Community Academy is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from Cardinal Community Academy were \$125,838 for the year ended June 30, 2016.

At June 30, 2016, Cardinal Community Academy reported a liability of \$2,295,674 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. Standard update procedures were used to roll forward the total pension liability to December 31, 2015. The Cardinal Community Academy proportion of the net pension liability was based on Cardinal Community Academy contributions to the SCHDTF for the calendar year 2015 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2015, the Cardinal Community Academy proportion was .015 percent, which was approximately the same as its proportion measured as of December 31, 2014.

For the year ended June 30, 2016, Cardinal Community Academy recognized pension expense of \$280,463. At June 30, 2016, Cardinal Community Academy reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

June 30, 2016	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 30,219	\$ --
Net difference between projected and actual earnings on pension plan investments	195,197	--
Changes in assumptions	--	32,442
Contributions subsequent to the measurement date	62,919	--
Total	\$ 288,335	\$ 32,442

CARDINAL COMMUNITY ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 6 – PERA – Continued:

Deferred outflows of resources related to pensions of \$62,919, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2017	\$ 64,324
2018	64,325
2019	64,325
	\$ 192,974

Actuarial assumptions: The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Price inflation	2.8 percent
Real wage growth	1.1 percent
Wage inflation	3.9 percent
Salary increases, including wage inflation	3.9 – 10.1 percent
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.5 percent
Future post-retirement benefit increases:	
PERA Benefit Structure hired prior to 1/1/07 (automatic)	2.0 percent
PERA Benefit Structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with Males set back 1 year, and Females set back 2 years.

The actuarial assumptions used in the December 31, 2013 valuation were based on the results of an actuarial experience study for the period January 1, 2008 through December 31, 2011, adopted by PERA's Board on November 13, 2012, and an economic assumption study, adopted by PERA's Board on November 15, 2013 and January 17, 2014.

CARDINAL COMMUNITY ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 6 – PERA – Continued:

The SCHDTF's long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

As of the most recent analysis of the long-term expected rate of return, presented to the PERA Board on November 15, 2013, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	10 Year Expected Geometric Real Rate of Return
U.S. Equity – Large Cap	26.76%	5.00%
U.S. Equity – Small Cap	4.40%	5.19%
Non U.S. Equity – Developed	22.06%	5.29%
Non U.S. Equity – Emerging	6.24%	6.76%
Core Fixed Income	24.05%	0.98%
High Yield	1.53%	2.64%
Long Duration Gov't/Credit	0.53%	1.57%
Emerging Market Bonds	0.43%	3.04%
Real Estate	7.00%	5.09%
Private Equity	7.00%	7.15%
Total	100.00%	

In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.5%.

Discount rate: The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the fixed statutory rates specified in law, including current and future AED and SAED, until the Actuarial Value Funding Ratio reaches 103 percent, at which point, the AED and SAED will each drop 0.5 percent every year until they are zero. Based on those assumptions, the SCHDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the Municipal Bond Index Rate. There was no change in the discount rate from the prior measurement date.

CARDINAL COMMUNITY ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 6 – PERA – Continued:

Sensitivity of the Cardinal Community Academy proportionate share of the net pension liability to changes in the discount rate: The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

June 30, 2016	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Proportionate share of the net pension liability	\$ 2,975,864	\$ 2,295,674	\$ 1,729,882

Pension plan fiduciary net position: Detailed information about the SCHDTF’s fiduciary net position is available in PERA’s comprehensive annual financial report which can be obtained at www.copera.org/investments/pera-financial-reports.

Employees of the Cardinal Community Academy that are also members of the SCHDTF may voluntarily contribute to the Voluntary Investment Program, an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Title 24, Article 51, Part 14 of the C.R.S, as amended, assigns the authority to establish the Plan provisions to the PERA Board of Trustees. PERA issues a publicly available comprehensive annual financial report for the Plan. That report can be obtained at www.copera.org/investments/pera-financial-reports.

The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. Employees are immediately vested in their own contributions, employer contributions and investment earnings.

The Cardinal Community Academy contributes to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer healthcare trust administered by PERA. The HCTF benefit provides a health care premium subsidy and health care programs (known as PERACare) to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the C.R.S., as amended, establishes the HCTF and sets forth a framework that grants authority to the PERA Board to contract, self-insure and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of health care subsidies. PERA issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the HCTF. That report can be obtained at www.copera.org/investments/pera-financial-reports.

CARDINAL COMMUNITY ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 6 – PERA – Continued:

Cardinal Community Academy is required to contribute at a rate of 1.02 percent of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for Cardinal Community Academy are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the years ending June 30, 2016, June 30, 2015, and June 30, 2014, the Cardinal Community Academy contributions to the HCTF were \$7,170, \$6,570, and \$6,163, respectively, equal to their required contributions for each year.

NOTE 7 - Contingencies:

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 and other risks of loss, including workers' compensation, employee fidelity, and director liability. Settled claims have not exceeded this coverage in the past three years.

In 1992 the Colorado voters approved the “Taxpayer’s Bill of Rights” (TABOR). Included in the accompanying financial statements are emergency reserves of at least 3% of fiscal year spending as required. Emergencies exclude economic conditions, revenue shortfalls or salary or fringe benefit increases.

CARDINAL COMMUNITY ACADEMY

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

Year Ended June 30, 2016	Actual	Original Budget	Amended Budget	Variance
Revenue:				
Weld County School District RE-3(J) PPR	\$ 1,289,602	\$ 1,236,681	\$ 1,274,421	\$ 15,181
Mill Levy override	89,501	89,973	89,093	408
Colorado Department of Education grants	79,276	53,705	63,705	15,571
Contributions, interest, and other	100,080	166,368	166,368	(66,288)
Total Revenue	1,558,459	1,546,727	1,593,587	(35,128)
Expenditures:				
Current:				
Instruction:				
Teachers' salaries	454,396	442,853	458,981	4,585
Substitute teachers	11,432	10,000	15,000	3,568
Teachers aides	73,193	87,319	76,828	3,635
After school staff	6,198	7,920	7,920	1,722
Supplemental contracts	5,250	3,000	5,500	250
Incentives	2,738	2,800	2,800	62
PERA contributions	100,273	101,750	103,712	3,439
Other benefits	36,934	56,660	56,843	19,909
Special education	56,530	63,000	63,000	6,470
Educational equipment & furniture	12,788	9,500	10,500	(2,288)
Instructional materials & supplies	34,862	30,000	33,000	(1,862)
Total Instruction	794,594	814,802	834,084	39,490
Supporting Services:				
RE-3(J) administrative withholding	70,852	56,000	56,000	(14,852)
Director salary	65,732	65,732	65,732	-
Office staff salary	56,398	55,359	55,359	(1,039)
Staff development	16,089	15,000	15,000	(1,089)
Accountability/evaluation	1,703	2,700	2,700	997
PERA contributions	25,564	25,940	26,441	877
Other benefits	9,417	14,445	14,492	5,075
Custodian	16,752	16,752	16,752	-
Utilities	33,172	48,000	48,000	14,828
Telephone	2,427	5,000	5,000	2,573
Office supplies	6,292	8,500	8,500	2,208
Building expense	37,007	20,000	35,000	(2,007)
Insurance	13,845	19,000	19,000	5,155
Equipment rentals	6,516	6,500	6,500	(16)
Water/wastewater	8,470	11,000	11,000	2,530
Contracted services	39,122	22,200	36,200	(2,922)
Fundraising expense	42,732	75,000	75,000	32,268
PTO expense	30,105	75,000	75,000	44,895
Miscellaneous expense	1,768	4,200	4,800	3,032
Total Supporting Services	483,963	546,328	576,476	92,513
Debt service (principal)	29,929	29,022	29,022	(907)
Interest expense	10,404	11,311	11,311	907
Total Expenditures	1,318,890	1,401,463	1,450,893	132,003
Revenue Over (Under) Expenditures	239,569	145,264	142,694	96,875
Fund Balance, Beginning of Year	692,575	692,575	692,575	-
Fund Balance, End of Year	\$ 932,144	\$ 837,839	\$ 835,269	\$ 96,875

CARDINAL COMMUNITY ACADEMY

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended June 30	Statutorily Required Contributions	Contributions Made	Covered Payroll	% of Covered Payroll
2016	\$ 125,837	\$ 125,837	\$ 683,636	18.4%
2015	115,288	115,288	660,194	17.4%

Until a full 10-year trend is compiled, the School will present information for those years for which information is available.

CARDINAL COMMUNITY ACADEMY

SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF NET PENSION LIABILITY

Year Ended June 30	Cumulative Proportion of Net Pension Liability	Cumulative Proportionate Share	Covered Payroll	% of Covered Payroll	Plan Net Position as a % of Net Pension Liability
2016	0.015%	\$ 2,295,674	\$ 672,599	341%	59.2%
2015	0.015%	2,030,293	669,194	308%	62.8%

Until a full 10-year trend is compiled, the School will present information for those years for which information is available.