

ORTON ACADEMY LLC

FINANCIAL STATEMENTS
With Independent Auditors' Report

For the Year Ended June 30, 2021

ORTON ACADEMY LLC
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Orton Academy LLC

We have audited the accompanying financial statements of the governmental activities and each major fund of Orton Academy LLC, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Orton Academy LLC, as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other-Matters

Required Supplementary Information

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

Hoelting & Company Inc.

Colorado Springs, Colorado
September 22, 2021

ORTON ACADEMY, LLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2021

As management of Orton Academy LLC (the School) we offer readers of the School's annual financial report this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2021. Readers are encouraged to consider the information presented here in conjunction with the annual financial report.

FINANCIAL HIGHLIGHTS

- Assets and deferred outflows of the school exceeded the liabilities and deferred inflows of the school by \$56,243 during the fiscal year resulting in a positive net position balance.
- The School's total net position increased \$56,243. This was the School's first year of operations.
- Long-term liabilities consist of a \$50,000 loan outstanding.
- As of the close of the current fiscal year, the School's general fund reported an ending fund balance surplus of \$106,243.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

The *statement of net position* presents information on all of the School's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School is improving or deteriorating.

The *statement of activities* presents information reporting how the School's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods. Accrued interest expense is an example of this type of item.

Both government-wide financial statements distinguish functions of the School that are principally supported by per pupil revenues and district mill levy revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the School include the running of a K-8 contract school in Colorado Springs, Colorado.

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 statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. Thus, readers may better understand the long-term impact of the School's near-term financing decisions. To facilitate this comparison between governmental funds and governmental activities, reconciliations are provided for both the governmental fund balance sheet and the statement of revenues, expenditures, and changes in fund balance.

Notes to the Basic Financial Statements

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

Required Supplementary Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position. 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 and deferred outflows exceeded liabilities and deferred inflows by \$56,243 as of June 30, 2021 resulting in a positive net position balance.

A portion of the School's net position represents resources that are subject to external restrictions on how they may be used. \$20,000 of these funds are restricted to comply with Article X, Section 20 of the Colorado Constitution, known as the TABOR Amendment. The remaining balance of \$86,243 is unrestricted.

Condensed Statement of Net Position

	<u>2021</u>	<u>2020</u>
Current and other assets	\$ 146,702	\$ 0
Capital assets	<u>0</u>	<u>0</u>
Total assets	<u>146,702</u>	<u>0</u>
Deferred Outflows	<u>0</u>	<u>0</u>
Long-term liabilities	50,000	0
Other liabilities	<u>40,459</u>	<u>0</u>
Total liabilities	<u>90,459</u>	<u>0</u>
Deferred Inflows	<u>0</u>	<u>0</u>
Net position:		
Net investment in capital assets	0	0
Restricted	20,000	0
Unrestricted	<u>36,246</u>	<u>0</u>
Total net position	<u>\$ 56,243</u>	<u>\$ 0</u>

Condensed Statement of Activities

	<u>2021</u>	<u>2020</u>
Revenues:		
General revenues:		
Per pupil revenue	\$ 580,389	\$ 0
District mill levy	0	0
Other	20,006	0
Program Revenue:		
Charges for Services	0	0
Operating grants and contributions	113,462	0
Capital grants and contributions	<u>0</u>	<u>0</u>
Total revenues	<u>600,395</u>	<u>0</u>
Expenses:		
Instruction	253,642	0
Supporting services	<u>403,972</u>	<u>0</u>
Total expenses	<u>657,614</u>	<u>0</u>
Change in net position	56,243	0
Net position, beginning	<u>0</u>	<u>0</u>
Net position, ending	<u>\$ 56,243</u>	<u>\$ 0</u>

Governmental Activities. During the current fiscal year, net position for governmental activities increased \$56,243 from the prior fiscal year for an ending balance of \$56,243. As noted above, the increase in net position results primarily from this being the School's first year of operations.

ANALYSIS OF THE SCHOOL'S FUNDS

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

The General Fund is the principal operating fund of the School. As of June 30, 2021, the total general fund balance was \$106,243 an increase of \$106,243 in comparison with the prior year. \$20 thousand of this total was restricted for TABOR emergency reserves, resulting in a \$86,243 unassigned fund balance.

The general fund balance increase of \$106,243 during the current year is primarily due 5.65.% decrease in revenues compared to a 2.5% decrease in expenditures over budget.

Revenues for the General Fund totaled \$713,857 in fiscal year 2021 compared to \$0 in fiscal year 2020, an increase of \$713,857. The significant increase in revenue was due this being the first year of school operations. Overall expenditures increased \$657,614. Instructional and supporting expenditures increased as a result of student enrollment and related staffing, as well as the direct expenses for serving those students.

BUDGETARY HIGHLIGHTS

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

- The final (revised) budget increased total revenues by \$154,842 to update per pupil, local source, state and federal revenue.
- Supplies and purchased services increased \$45,624 thousand to provide for additional costs from originally anticipated.

Actual General Fund revenue and other financing sources in the 2021 fiscal year was \$763,857 and actual expenditures were \$657,614 which resulted in an increase in fund balance of \$106,243.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The School has no capital assets at June 30, 2021.

Debt Administration

At the end of current fiscal year, the School had \$50 thousand in debt outstanding. During the year, the School entered into a \$50 thousand operating loan.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The primary factor driving the School's budget is student enrollment. Enrollment for the 2020-2021 school year was 74 students. Enrollment for the 2021-2022 school year is estimated at 140 students. The School has been experiencing an increase in Per Pupil Revenue (PPR) due to the state budget's focus on education funding from \$7,843.10 in the 2020-2021 school year to \$8,405.26 for the 2021-2022 school year.

The 2021-2022 School budget has been prepared with the School's strategic plan in mind and with the priority of providing financial resources for the quality education of Orton Academy's students.

REQUESTS FOR INFORMATION

This financial report is designed to provide the School's stakeholders 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 questions about this report or need additional financial information, contact Lynne Fitzhugh at 3115 Larkspur Drive, Colorado Springs, CO 80907.

BASIC FINANCIAL STATEMENTS

ORTON ACADEMY LLC
STATEMENT OF NET POSITION
JUNE 30, 2021

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ 108,946
Receivables	20,768
Prepays	<u>16,988</u>
Total Assets	<u>146,702</u>
LIABILITIES	
Accounts payable and other accrued liabilities	6,070
Accrued salaries and benefits	34,389
Long-term liabilities:	
Due within one year	12,000
Due in more than one year	<u>38,000</u>
Total Liabilities	<u>90,459</u>
NET POSITION	
Restricted for emergencies	20,000
Unrestricted	<u>36,243</u>
Total Net Position	<u><u>\$ 56,243</u></u>

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

ORTON ACADEMY LLC
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
<u>Governmental activities:</u>				<u>Governmental Activities</u>	
Instruction	\$ 253,642	\$ -	\$ 113,462	\$ -	\$ (140,180)
Supporting services	403,972	-	-	-	(403,972)
Total governmental activities	<u>\$ 657,614</u>	<u>\$ -</u>	<u>\$ 113,462</u>	<u>\$ -</u>	<u>(544,152)</u>
General revenues:					
Per pupil revenue					580,389
Grants and contributions not restricted to specific programs					20,006
Total general revenues					<u>600,395</u>
Change in net position					56,243
Net position - beginning					-
Net position - ending					<u>\$ 56,243</u>

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

**ORTON ACADEMY LLC
BALANCE SHEET
GENERAL FUND
JUNE 30, 2021**

ASSETS

Cash and investments	\$ 108,946
Receivables	20,768
Prepays	<u>16,988</u>
Total Assets	<u><u>\$ 146,702</u></u>

LIABILITIES

Accounts payable and other accrued liabilities	\$ 6,070
Accrued salaries and benefits	<u>34,389</u>
Total Liabilities	<u>40,459</u>

FUND BALANCE

Restricted for:	
Emergencies	20,000
Unassigned	<u>86,243</u>
Total Fund Balance	<u>106,243</u>

Total Liabilities and Fund Balance	<u><u>\$ 146,702</u></u>
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The accompanying notes are an integral part of these financial statements.

**ORTON ACADEMY LLC
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2021**

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

Total Fund Balance of Governmental Funds	\$ 106,243
Long-term liabilities and related items are not due and payable in the current year and, therefore, are not reported in government funds:	
Loan Payable	<u>(50,000)</u>
Total Net Position of Governmental Activities	<u><u>\$ 56,243</u></u>

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

ORTON ACADEMY LLC
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021

REVENUES	
Local sources	\$ 20,006
State sources	636,419
Federal sources	<u>57,432</u>
Total revenues	<u>713,857</u>
EXPENDITURES	
Instruction	253,642
Supporting services	<u>403,972</u>
Total expenditures	<u>657,614</u>
Excess (deficiency) of revenues over expenditures	56,243
OTHER FINANCING SOURCES (USES)	
Proceeds from long-term debt	<u>50,000</u>
Net change in fund balance	106,243
Fund balance, beginning	<u>-</u>
Fund balance, ending	<u><u>\$ 106,243</u></u>

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

**ORTON ACADEMY LLC
RECONCILIATION OF THE STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

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

Net Change in Fund Balance of Governmental Funds	\$	106,243
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt.

Loan issuance		<u>(50,000)</u>
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Change in Net Position of Governmental Activities	\$	<u><u>56,243</u></u>
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The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

ORTON ACADEMY LLC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Orton Academy LLC (the School) is a limited liability company whose sole member is Colorado Literacy and Learning Center (CLLC). CLLC established the School pursuant to Colorado School Law to form and operate a contract school within Colorado. The School contracts with Education reEnvisioned BOCES (the BOCES) for funding and administrative support based on the agreement between the BOCES and CLLC establishing the School.

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

A. REPORTING ENTITY

The financial reporting entity consists of the School and organizations for which the School is financially accountable. All funds, organizations, institutions, agencies, departments and offices that are not legally separate are part of the School. In addition, any legally separate organizations for which the School is financially accountable are considered part of the reporting entity. Financial accountability exists if the School appoints a voting majority of the organization's governing board and is able to impose its will on the organization, or if the organization provides benefits to, or imposes financial burdens on, the School.

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

B. BASIS OF PRESENTATION—GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

C. BASIS OF PRESENTATION—FUND FINANCIAL STATEMENTS

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

The School reports the following major governmental fund:

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

ORTON ACADEMY LLC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

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

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

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

Cash and cash equivalents

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

Investments

Investments with a maturity of less than one year when purchased, non-negotiable certificates of deposit, and other nonparticipating investments are stated at cost or amortized cost. Investments with a maturity greater than one year when purchased are stated at fair value. Fair value is the price that would be received to sell an investment in an orderly transaction at year end.

Local government investment pools in Colorado must be organized under Colorado Revised Statutes, which allows certain types of governments within the state to pool their funds for investment purposes. Investments in such pools are valued at the pool's share price, the price at which the investment could be sold.

ORTON ACADEMY LLC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Receivables

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

Prepaid items

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

Capital assets

Capital assets are reported in the government-wide financial statements. Capital assets are defined by the School as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. Major outlays for capital assets and improvements are capitalized as projects are constructed.

The school has no capital assets at June 30, 2021.

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.

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 period of approximately ten months. The salaries and benefits earned, but unpaid, are reported as a liability of the General Fund.

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.

ORTON ACADEMY LLC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 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.

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

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

The School would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

ORTON ACADEMY LLC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. REVENUES AND EXPENDITURES/EXPENSES

Program revenues

Amounts reported as *program revenues* include 1) fees and charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Revenues that are not classified as program revenues, including per pupil revenue, are reported as *general revenues*.

Compensated Absences

The School's policy allows employees to accumulate paid time off (PTO). PTO is paid out upon termination of employment. No liability is reported in the financial statements for compensated absences due to insufficient balances.

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.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

BUDGET INFORMATION

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

Budgets are required by Colorado State Statutes for all funds. 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. Prior to June 30, the budget is adopted by formal resolution.

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

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

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

ORTON ACADEMY LLC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

BUDGET INFORMATION (CONTINUED)

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

NOTE 3 - DEPOSITS AND INVESTMENTS

A summary of deposits and investments as of June 30, 2021 is as follows:

Deposits	<u>\$ 108,946</u>
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Deposits and investments are reported in the financial statements as follows:

Cash and investments	<u>\$ 108,946</u>
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Cash deposits with financial institutions

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

At June 30, 2021, the carrying amount of the School deposits was \$108,946 and the bank balances were \$120,784. All of the bank balances at June 30, 2021 were insured.

Investments

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

ORTON ACADEMY LLC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (continued)

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 fund;
- ◆ Guaranteed investment contracts.

The School had no investments as of June 30, 2021.

NOTE 4 – LONG-TERM DEBT

2020 Loan Agreement

On July 6, 2020, the School obtained a loan from Education reEnvisioned BOCES in the amount of \$50,000. Principal is paid monthly beginning July 15, 2021. The note does not bear interest. Final maturity is August 15, 2025.

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

Fiscal Year <u>Ending June 30</u>	<u>Governmental Activities</u> <u>Principal</u>
2022	\$ 12,000
2023	12,000
2024	12,000
2025	12,000
2026	<u>2,000</u>
Total	<u>\$ 50,000</u>

The changes in long-term debt for the year ended June 30, 2021 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Loan	\$ -	\$ 50,000	\$ -	\$ 50,000	\$ 12,000

ORTON ACADEMY LLC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 5 - 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 6 – CONCENTRATION OF RISK

The School is funded directly by the BOCES based on the BOCES' per pupil funding. For the fiscal year ended June 30, 2021, this funding accounted for approximately 81% of the School revenues.

NOTE 7 – 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 effect on the financial position of the School.

NOTE 8 - 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, 2021 there was a \$20,000 restriction of fund balance reported 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 9 – COMPLIANCE

The School has complied with the requirements of the Financial Policies and Procedures Handbook for the 2021 audit period as required by Colorado Statute CRS 22-44-204(3).

REQUIRED SUPPLEMENTARY INFORMATION

ORTON ACADEMY LLC
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Local sources	\$ 54,800	\$ 70,000	\$ 20,006	\$ (49,994)
State sources	503,645	624,962	636,419	11,457
Federal sources	43,275	61,600	57,432	(4,168)
Total revenues	601,720	756,562	713,857	(42,705)
EXPENDITURES				
Salaries	214,500	300,739	313,094	(12,355)
Benefits	81,683	44,918	59,276	(14,358)
Purchased services	253,533	294,598	244,247	50,351
Supplies	29,351	33,910	28,947	4,963
Property	-	-	12,050	(12,050)
Total expenditures	579,067	674,165	657,614	16,551
Excess (deficiency) of revenues over expenditures	22,653	82,397	56,243	(26,154)
OTHER FINANCING SOURCES (USES)				
Proceeds from long-term debt	-	-	50,000	50,000
Net change in fund balances	22,653	82,397	106,243	23,846
Fund balances - beginning	-	-	-	-
Fund balance - ending	<u>\$ 22,653</u>	<u>\$ 82,397</u>	<u>\$ 106,243</u>	<u>\$ 23,846</u>

See the accompanying Independent Auditors' Report.