

**PACE CAREER ACADEMY**  
**ANNUAL FINANCIAL REPORT**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2018**

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# PLODZIK & SANDERSON

*Professional Association/Accountants & Auditors*

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## ***INDEPENDENT AUDITOR'S REPORT***

To the Board of Trustees  
PACE Career Academy  
Suncook, New Hampshire

We have audited the accompanying financial statements of the governmental activities and major fund of the PACE Career Academy as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the PACE Career Academy as of June 30, 2018, and the respective changes in financial position, and the respective budgetary comparison for the major general fund 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 on pages 3 to 7 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

***PACE Career Academy  
Independent Auditor's Report***

about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the PACE Career Academy's basic financial statements. The individual fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual fund schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Plodzik & Sanderson  
Professional Association*

December 19, 2018

***PACE Career Academy Charter School***  
**Management's Discussion and Analysis For Year Ended June 30, 2018**

As administrators of PACE Career Academy Charter School, we offer readers of the financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with the information presented within the body of the audited financial report.

**Financial Highlights**

- PACE Career Academy Charter School's Net Operating Loss for the fiscal year ended June 30, 2018 totaled (\$2,970), a 4% decrease from the prior fiscal year.
- The Total Income for the period July 1, 2017 to June 30, 2018 was \$556,104, an 11% increase from the prior fiscal year.
- Total expenditures totaled \$559,074, which represents 92% of the amount budgeted.

**Overview of the Financial Statements**

The financial statements presented herein include all of the activities of the PACE Career Academy Charter School using the integrated approach as prescribed by GASB Statement 34.

This discussion and analysis is intended to serve as an introduction to the PACE Career Academy Charter School financial statements. The basic financial statements are comprised of four components:

1. Required supplementary information (Management's Discussion & Analysis)
2. Government-wide financial statements
3. Fund financial statements
4. Notes 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, in a manner similar to most private-sector companies.

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

The Statement of Activities presents information showing how the School's net position changed during the most recent fiscal year. All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid.

## **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School uses fund accounting to demonstrate compliance with finance-related legal requirements. The School solely employs the use of governmental funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the School's near-term financial 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 Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate this comparison between the governmental activities Statement of Net Position and Statement of Activities.

The School maintains one governmental fund. Information is presented in the Governmental Funds Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund.

The School adopts an annual appropriation budget for its General Fund. A budgetary comparison has been provided for the General Fund to demonstrate compliance with this budget.

## **Notes to the Basic 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.

## **Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain other supplementary information that is required to be disclosed by accounting principles generally accepted in the United States of America.

## Government-wide Financial Analysis

Net Position may serve over time as a useful indicator of a School's financial position. For PACE Career Academy, assets exceeded liabilities by \$80,063 as of June 30, 2018. The following tables provide summaries of the School's net position and activities:

### Summary of Net Position Governmental Activities

	2018	2017 As Restated	Change	% Change
Current and other assets				
Cash & cash equivalents	21,818	30,661	(8,843)	-29%
Accounts receivable	7,809	11,813	(4,004)	-34%
Intergovernmental receivable	65,034	62,761	2,273	4%
Prepaid Expenses	17,024	3,218	13,806	429%
Capital assets, net	9,553	14,579	(5,026)	-34%
<b>Total Assets</b>	<b>121,238</b>	<b>123,033</b>	<b>(1,795)</b>	<b>-1.5%</b>
Long-term and other liabilities				
Accounts payable	-	-		
Accrued expenses	2,500	8,000	(5,500)	-69%
Line of credit	25,000	15,000	10,000	67%
Current portion of long-term liabilities	3,366	3,325	41	1%
Long-term liabilities	10,309	13,675	(3,366)	-25%
<b>Total Liabilities</b>	<b>41,175</b>	<b>40,000</b>	<b>1,175</b>	<b>3%</b>
<b>Total Net Position</b>	<b>80,063</b>	<b>83,033</b>	<b>(2,970)</b>	<b>-4%</b>

### Summary of Changes in Net Position Governmental Activities

	2018	2017	Change	% Change
Revenues:				
Program Revenues:				
Charges for services	158,069	157,999	70	0%
General Revenue:				
Federal grants	23,375	17,000	6,375	38%
State sources	374,660	341,904	32,756	9.5%
Miscellaneous	-	15,813	-	-
<b>Total Revenues:</b>	<b>556,104</b>	<b>532,716</b>	<b>23,388</b>	<b>4%</b>
Expenses:				
Instruction	294,536	258,060	36,476	14%
Support Services:				
Student	39,669	30,240	9,429	31%
Instructional staff	8,225	1,432	6,793	474%
General administration	16,673	13,176	3,497	27%
School administration	138,944	139,867	(923)	-1%
Operation & Maintenance of plant	54,793	59,219	(4,426)	-7%
Student transportation	5,556	1,612	3,944	245%
Other	234	208	26	13%
Interest on long-term debt	444	705	(261)	-37%
<b>Total Expenses</b>	<b>559,074</b>	<b>504,519</b>	<b>54,555</b>	<b>11%</b>
Change in Net Position	(2,970)	28,197	(25,227)	-89%
Net Position, beginning, as restated	83,033	54,836	28,197	51%
<b>Net Position ending</b>	<b>80,063</b>	<b>83,033</b>	<b>(2,970)</b>	<b>-4%</b>

Of the total revenues for the School's general fund, 67% came from the State of New Hampshire Adequate Education Grants, 28% came from Tuition, and the remaining 5% came from interest and other sources.

#### Budgetary Highlights

During the year, appropriations decreased \$2,365 from the original budget to the final budget. The decrease in appropriations is primarily attributed to Instructional staff and the Operation and maintenance of plant. Revenues and other sources decreased \$70,973 primarily attributed to a decrease in local SAU53 tuitions.

#### Capital Assets

Capital asset activity increased by \$10,956 invested in various equipment and computers.

**Debt**

PACE had \$13,675 in debt outstanding for the year ended June 30, 2018, a reduction of \$3,325 resulting from payments on Note payable for school bus.

**Currently Known Facts**

A current project to move PACE from Allenstown to Riverwood Drive in Pembroke requires a build out costing approximately \$150,000. Funding for this project has been obtained from HEFA. Enrollment for the first quarter of the current year was 38 and has increased to 47 in the second quarter.

**CONTACTING PACE CAREER ACADEMY CHARTER SCHOOL**

This financial report is intended to provide a general overview of the PACE Career Academy Charter School's finances and to show accountability for the money it receives. If you have questions about this report or need additional information, contact PACE Career Academy Charter School, 65 Pinewood Drive, Allenstown, New Hampshire 03275 or by telephone at (603)210-1882.

***BASIC FINANCIAL STATEMENTS***

**EXHIBIT A**  
**PACE CAREER ACADEMY**  
*Statement of Net Position*  
**June 30, 2018**

	Governmental Activities
<b>ASSETS</b>	
Cash and cash equivalents	\$ 21,818
Accounts receivables	7,809
Intergovernmental receivable	65,034
Prepaid items	17,024
Capital assets, net of accumulated depreciation	9,553
Total assets	121,238
<b>LIABILITIES</b>	
Accrued salaries and benefits	2,500
Other liabilities	25,000
Noncurrent obligations:	
Due within one year	3,366
Due in more than one year	10,309
Total liabilities	41,175
<b>NET POSITION</b>	
Net investment in capital assets	(4,122)
Unrestricted	84,185
Total net position	\$ 80,063

The notes to the basic financial statements are an integral part of this statement.

**EXHIBIT B**  
**PACE CAREER ACADEMY**  
*Statement of Activities*  
**For the Fiscal Year Ended June 30, 2018**

	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental activities:				
Instruction	\$ 294,536	\$ 142,873	\$ 88,409	\$ (63,254)
Support services:				
Student	39,669	-	7,969	(31,700)
Instructional staff	8,225	-	-	(8,225)
General administration	16,673	-	-	(16,673)
School administration	138,944	-	-	(138,944)
Business	234	-	-	(234)
Operation and maintenance of plant	54,793	-	-	(54,793)
Student transportation	5,556	-	-	(5,556)
Interest on long-term debt	444	-	-	(444)
Total governmental activities	<u>\$ 559,074</u>	<u>\$ 142,873</u>	<u>\$ 96,378</u>	<u>(319,823)</u>
General revenues:				
Grants and contributions not restricted to specific programs				309,601
Miscellaneous				<u>7,252</u>
Total general revenues				<u>316,853</u>
Change in net position				(2,970)
Net position, beginning as restated (see Note 12)				<u>83,033</u>
Net position, ending				<u>\$ 80,063</u>

The notes to the basic financial statements are an integral part of this statement.

**EXHIBIT C-1**  
**PACE CAREER ACADEMY**  
**Governmental Fund**  
**Balance Sheet**  
**June 30, 2018**

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	<u>General</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 21,818
Receivables:	
Accounts	7,809
Intergovernmental	65,034
Prepaid items	<u>17,024</u>
Total assets	<u>\$ 111,685</u>
<b>LIABILITIES</b>	
Accrued salaries and benefits	\$ 2,500
Other current liabilities	<u>25,000</u>
Total liabilities	<u>27,500</u>
<b>FUND BALANCE</b>	
Nonspendable	17,024
Unassigned	<u>67,161</u>
Total fund balances	<u>84,185</u>
Total liabilities and fund balance	<u>\$ 111,685</u>

The notes to the basic financial statements are an integral part of this statement.

**EXHIBIT C-2**  
**PACE CAREER ACADEMY**  
**Reconciliation of the Balance Sheet - Governmental Fund to the Statement of Net Position**  
**June 30, 2018**

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Total fund balance of the governmental fund (Exhibit C-1)		\$ 84,185
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources, therefore, are not reported in the fund.		
Cost		\$ 84,941
Less accumulated depreciation		<u>(75,388)</u>
		9,553
Long-term liabilities are not due and payable in the current period, therefore, are not reported in the fund.		
Note payable		<u>(13,675)</u>
Net position of governmental activities (Exhibit A)		<u><u>\$ 80,063</u></u>

The notes to the basic financial statements are an integral part of this statement.

**EXHIBIT C-3**  
**PACE CAREER ACADEMY**  
*Statement of Revenues, Expenditures, and Changes in Fund Balances*  
*For the Fiscal Year Ended June 30, 2018*

	General
<b>REVENUES</b>	
Local	\$ 158,069
State	374,660
Federal	23,375
Total revenues	556,104
<b>EXPENDITURES</b>	
Current:	
Instruction	294,536
Support services:	
Student	39,669
Instructional staff	8,225
General administration	16,673
School administration	149,900
Business	234
Operation and maintenance of plant	38,810
Student transportation	5,556
Debt service:	
Principal	3,325
Interest	444
Total expenditures	557,372
Net change in fund balances	(1,268)
Fund balances, beginning, as restated (see Note 12)	85,453
Fund balances, ending	\$ 84,185

The notes to the basic financial statements are an integral part of this statement.

**EXHIBIT C-4**  
**PACE CAREER ACADEMY**  
**Reconciliation of the Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Governmental Fund to the Statement of Activities**  
**For the Fiscal Year Ended June 30, 2018**

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Net change in fund balance of the governmental funds (Exhibit C-3)		\$ (1,268)
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p> <p>Governmental funds report capital outlays as expenditures. In the Statement useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capitalized capital outlay in the current year as follows:</p>		
Capitalized capital outlay		\$ 10,956
Depreciation expense		<u>(15,983)</u>
		(5,027)
<p>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. Debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.</p>		
Principal repayment of note		<u>3,325</u>
Change in net position of governmental activities (Exhibit B)		<u><u>\$ (2,970)</u></u>

The notes to the basic financial statements are an integral part of this statement.

**EXHIBIT D**  
**PACE CAREER ACADEMY**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual (Non-GAAP Budgetary Basis)**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2018**

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Local	\$ 208,792	\$ 158,069	\$ (50,723)
State	401,285	374,660	(26,625)
Federal	17,000	23,375	6,375
Total revenues	<u>627,077</u>	<u>556,104</u>	<u>(70,973)</u>
<b>EXPENDITURES</b>			
Current:			
Instruction	316,702	294,536	22,166
Support services:			
Student	37,677	39,669	(1,992)
Instructional staff	1,600	8,225	(6,625)
General administration	15,900	16,673	(773)
School administration	157,100	149,900	7,200
Business	200	234	(34)
Operation and maintenance of plant	32,400	38,810	(6,410)
Student transportation	5,000	5,556	(556)
Debt service:			
Principal	-	3,325	(3,325)
Interest	3,856	444	3,412
Total expenditures	<u>570,435</u>	<u>557,372</u>	<u>13,063</u>
Difference between revenue and expenditures	<u>\$ 56,642</u>	(1,268)	<u>\$ (57,910)</u>
Increase in nonspendable fund balance		(17,024)	
Unassigned fund balance, beginning as restated (see Note 12)		<u>85,453</u>	
Unassigned fund balance, ending		<u>\$ 67,161</u>	

The notes to the basic financial statements are an integral part of this statement.

**PACE CAREER ACADEMY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2018**

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**PACE CAREER ACADEMY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2018**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the PACE Career Academy, Suncook, New Hampshire (the School), have been prepared in conformity with accounting principles generally accepted in the United States of America for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources.

***1-A Reporting Entity***

The Pace Career Academy is a district-sponsored New Hampshire Charter School in accordance with New Hampshire State Statutes, Chapter 194-B, *Chartered Public Schools*, governed by a Board of Trustees. In evaluating how to define the School for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth by the GASB. The School has no component units to include in its reporting entity.

The following is a summary of the more significant accounting policies:

***1-B Government-wide and Fund Financial Statements***

***Government-wide Financial Statements*** – The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the primary government. Governmental activities normally are supported through tuition and intergovernmental revenues.

The *Statement of Net Position* presents the financial position of the School at year-end. This statement includes all of the School's non-fiduciary assets, and liabilities, with the difference reported as net position.

The *Statement of Activities* demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) revenues from sending school districts through tuition agreements and (2) grants and contributions that are restricted to meeting the operational requirements of a particular function. Unrestricted grants and other items not meeting the definition of program revenues are reported instead as general revenues. Resources that are dedicated internally are reported as general revenue rather than program revenue.

***1-C Measurement Focus, Basis of Accounting, and Financial Statement Presentation***

***Measurement Focus and Basis of Accounting*** – 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 liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources* measurement focus and the *modified accrual basis* of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, with the exception of reimbursement-based grants, which use a period of one year. Tuition agreement revenue, intergovernmental revenue, and other local sources 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 are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. All other revenue items are considered to be measurable and available only when cash is received by the government.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

***Financial Statement Presentation*** - A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to report financial position and the results of operations, to demonstrate legal compliance, and to aid financial management by segregating transactions related to certain government functions or activities.

**PACE CAREER ACADEMY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2018**

The School reports the following major governmental fund:

**General Fund** – is the School’s primary operating fund. The general fund accounts for all financial resources except those required to be accounted for in another fund. The primary revenue sources include tuition agreements, state and federal grants, and other local sources. The primary expenditures are for instruction, support services, and debt service.

***1-D Cash and Cash Equivalents***

The School considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Deposits with financial institutions consist primarily of demand deposits.

***1-E Receivables***

Receivables in the government-wide and governmental fund financial statements represent amounts due to the School at June 30, recorded as revenue, which will be collected in the future and consist primarily of accounts and intergovernmental receivables.

***1-F Prepaid Items***

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

***1-G Capital Assets***

Capital assets are defined by the School as assets with an initial individual cost of \$500 or more and an estimated life in excess of one year. Capital assets include property, plant, and equipment, and are reported in governmental activities.

The accounting and reporting treatment applied to capital assets associated with a fund are determined by the fund’s measurement focus. General capital assets are assets of the School as a whole. When purchased, such assets are recorded as expenditures in the general fund and capitalized as assets in the governmental activities Statement of Net Position. When cost of general capital assets cannot be determined from available records, estimated historical cost is used.

Additions, improvements, and other capital outlay that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend lives are not capitalized.

In the governmental activities financial statements the cost of property sold or retired, together with the related accumulated depreciation, is removed and any resulting gain or loss is included in income.

Capital assets of the School are depreciated or amortized using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Leasehold improvements	10 - 40
Machinery, equipment, and vehicles	3 - 7

***1-H Long-term Obligations***

In the governmental activities financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position.

***1-I Net Position/Fund Balances***

Government-wide statements – Equity is classified as net position and displayed in two components:

**Net Investment in Capital Assets** – This classification includes the School’s capital assets, net of accumulated depreciation, reduced by the outstanding balances of notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

**Unrestricted Net Position** – This classification typically includes unrestricted liquid assets.

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**Fund Balance Classifications** – GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, provides more clearly defined fund balance categories to make sure the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

**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 legislative body (School Meeting). These amounts cannot be used for any other purpose unless the legislative body removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

**Assigned** – This classification includes amounts that are constrained by the School's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Trustees or through the Board delegating this responsibility to the Executive Director through the budgetary process.

**Unassigned** – This classification is the portion of fund balance that has not been restricted, committed, or assigned for a specific purpose.

When multiple net position/fund balance classifications are available for use, it is the School's policy to utilize the most restricted balances first, then the next most restricted balance as needed. When components of unrestricted fund balance are used, committed fund balance is depleted first followed by assigned fund balance. Unassigned fund balance is applied last.

### ***1-J Use of Estimates***

The financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States. Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the period reported. These estimates include assessing the collectability of accounts receivable, and the useful lives and impairment of tangible assets, among others. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from estimates.

## ***NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY***

### ***2-A Budgetary Information***

At its annual meeting, the School adopts a budget for the current year for the general fund. The budget was adopted on a basis consistent with United States generally accepted accounting principles.

### ***2-B Budgetary Reconciliation to GAAP Basis***

The School employs certain accounting principles for budgetary reporting purposes that differ from a GAAP basis. The Statement of Revenues, Expenditures, and Changes in Fund Balance – Budgetary Basis, presents the actual results to provide a comparison with the budget. There were no differences in revenues and expenditures between the budgetary basis and GAAP basis.

## ***DETAILED NOTES ON ALL FUNDS***

### ***NOTE 3 – CASH AND CASH EQUIVALENTS***

The School's deposits are entirely covered by federal depository insurance (FDIC). The FDIC currently insures the first \$250,000 of the School's deposits at each financial institution, per case custodian. As of year-end, the carrying amount of the School's deposits was \$21,818 and the bank balances totaled \$38,815.

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**NOTE 4 – RECEIVABLES**

Receivables at June 30, 2018, consisted of accounts and intergovernmental amounts arising from grants, and tuition assessments. Receivables are recorded on the School’s financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and collectability.

**NOTE 5 – PREPAID ITEMS**

Prepaid items at June 30, 2018 consisted of the following:

Student online courses	\$ 9,024
Security deposits	<u>8,000</u>
Total prepaid items	<u><u>\$ 17,024</u></u>

**NOTE 6 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2018 consisted of the following:

	Balance, beginning	Additions	Retirements	Balance, ending
At cost:				
Being depreciated:				
Leasehold improvements	\$ 325	\$ -	\$ -	\$ 325
Furniture and fixtures	18,508	1,450	-	19,958
Computer equipment	32,985	1,691	-	34,677
Equipment	4,391	7,815	-	12,206
Vehicle	<u>17,775</u>	<u>-</u>	<u>-</u>	<u>17,775</u>
Total capital assets being depreciated	<u>73,984</u>	<u>10,956</u>	<u>-</u>	<u>84,941</u>
Total capital assets	<u>73,984</u>	<u>10,956</u>	<u>-</u>	<u>84,941</u>
Less accumulated depreciation:				
Leasehold improvements	(325)	-	-	(325)
Furniture and fixtures	(18,225)	(1,262)	-	(19,487)
Computer equipment	(32,985)	(1,141)	-	(34,126)
Equipment	(4,315)	(7,892)	-	(12,207)
Vehicle	<u>(3,555)</u>	<u>(5,688)</u>	<u>-</u>	<u>(9,243)</u>
Total accumulated depreciation	<u>(59,405)</u>	<u>(15,983)</u>	<u>-</u>	<u>(75,388)</u>
Net book value, capital assets being depreciated	14,579	(5,027)	-	9,553
Net book value, all capital assets	<u>\$ 14,579</u>	<u>\$ (5,027)</u>	<u>\$ -</u>	<u>\$ 9,553</u>

Depreciation expense of \$15,983 was charged to the operation and maintenance of plant function of the School based on their usage of the related assets.

**NOTE 7 – OPERATING LEASE OBLIGATIONS**

The School is committed under various operating leases, primarily for office and classroom space (in the general fund). Future minimum operating lease commitments are as follows:

Fiscal Year Ending	Principal
June 30,	
2019	\$ 36,848
2020	43,478
2021	43,809
2022	45,124
2023	46,477
2024-2028	<u>7,784</u>
Totals	<u><u>\$ 223,520</u></u>

Rent expenditures were \$35,900 for the year ended June 30, 2018.

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**NOTE 8 – SHORT-TERM DEBT**

Changes in the School’s short-term borrowings during the year ended June 30, 2018 consisted of the following:

<u>Governmental Activities</u>	<u>Original Issue</u>	<u>Interest Rate</u>	<u>Balance July 1, 2017</u>	<u>Issued</u>	<u>Redemptions</u>	<u>Balance June 30, 2018</u>
Line of credit	\$ 25,000	5.75%	\$ 15,000	\$ 35,000	\$ (25,000)	\$ 25,000

The purpose of all of the short-time borrowings was to provide resources for various operating needs. The form of financing used in all cases was a line of credit.

**NOTE 9 – LONG-TERM LIABILITIES**

Changes in the School’s long-term liabilities consisted of the following for the year ended June 30, 2018:

	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2018</u>	<u>Due Within One Year</u>
Note payable: Auto	\$ 17,000	\$ -	\$ (3,325)	\$ 13,675	\$ 3,366

The long-term note is comprised of the following:

	<u>Original Amount</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Outstanding at June 30, 2018</u>
Note payable: Auto	\$ 17,000	2017	2022	1.00%	\$ 13,675

The annual requirements to amortize the note outstanding as of June 30, 2018, including interest payments, are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 3,366	\$ 121	\$ 3,487
2020	3,400	88	3,487
2021	3,434	53	3,487
2022	3,476	11	3,487
Totals	<u>\$ 13,675</u>	<u>\$ 273</u>	<u>\$ 13,948</u>

**NOTE 10 – GOVERNMENTAL ACTIVITIES NET POSITION**

Governmental activities net position reported on the government-wide Statement of Net Position at June 30, 2018 include the following:

Net investment in capital assets:	
Net book value of all capital assets	\$ 9,553
Less:	
Note payable	<u>(13,675)</u>
Total net investment in capital assets	(4,122)
Unrestricted	<u>84,185</u>
Total net position	<u>\$ 80,063</u>

None of the net position is restricted by enabling legislation.

**PACE CAREER ACADEMY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**NOTE 11 – GOVERNMENTAL FUND BALANCES**

Governmental fund balances at June 30, 2018 consist of the following:

<b>Nonspendable:</b>	
Major fund:	
General:	
Prepaid	\$ 17,024
<b>Unassigned:</b>	
Major fund:	
General	<u>67,161</u>
Total governmental fund balances	<u><u>\$ 84,185</u></u>

**NOTE 12 – PRIOR PERIOD ADJUSTMENT**

Net position/fund balance at July 1, 2017 was restated to record additional accounts receivable not previously reported.

	Government-wide Statements	General Fund (GAAP Basis)	General Fund (Budgetary Basis)
To record additional prior period receivable	\$ 30,799	\$ 30,799	\$ 30,799
Net position/fund balance, as previously reported	<u>52,234</u>	<u>54,654</u>	<u>54,654</u>
Net position/fund balance, as restated	<u><u>\$ 83,033</u></u>	<u><u>\$ 85,453</u></u>	<u><u>\$ 85,453</u></u>

**NOTE 13 – RISK MANAGEMENT**

The School is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. During fiscal year 2018, the School was insured through The Hanover Insurance Companies.

**NOTE 14 – CONTINGENT LIABILITIES**

The School has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designee. These audits could result in a request for reimbursement from the grantor agency for costs disallowed under terms of the grant. Based on prior experience, the School believes such disallowances, if any, will be immaterial.

**NOTE 15 – SUBSEQUENT EVENTS**

Subsequent events are events or transactions that occur after the balance sheet date, but before the financial statements are issued. Recognized subsequent events are events or transactions that provided additional evidence about conditions that existed at the balance sheet date, including the estimates inherent in the process of preparing the financial statements. Nonrecognized subsequent events are events that provide evidence about conditions that did not exist at the balance sheet date but arose after the date. Management has evaluated subsequent events through December 19, 2018, the date the June 30, 2018 financial statements were available to be issued, and no events occurred that require recognition or disclosure.

***INDIVIDUAL FUND SCHEDULES***

**SCHEDULE 1**  
**PACE CAREER ACADEMY**  
**Major General Fund**  
*Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)*  
**For the Fiscal Year Ended June 30, 2018**

	<u>Estimated</u>	<u>Actual</u>	Variance Positive (Negative)
Local sources:			
Tuition	\$ 205,792	\$ 142,873	\$ (62,919)
Miscellaneous	3,000	15,196	12,196
Total from other local sources	<u>208,792</u>	<u>158,069</u>	<u>(50,723)</u>
State sources:			
Adequacy aid (grant)	313,950	297,011	(16,939)
Adequacy aid (differentiated)	33,335	65,034	31,699
Other state aid	54,000	12,615	(41,385)
Total from state sources	<u>401,285</u>	<u>374,660</u>	<u>(26,625)</u>
Federal sources:			
Other	17,000	23,375	6,375
Total revenues	<u>\$ 627,077</u>	<u>\$ 556,104</u>	<u>\$ (70,973)</u>

**SCHEDULE 2**  
**PACE CAREER ACADEMY**  
**Major General Fund**  
*Schedule of Estimated and Actual Expenditures (Non-GAAP Budgetary Basis)*  
**For the Fiscal Year Ended June 30, 2018**

	<u>Estimated</u>	<u>Expenditures</u>	Variance Positive (Negative)
Current:			
Instruction:			
Regular programs	\$ 316,702	\$ 294,536	\$ 22,166
Support services:			
Student	37,677	39,669	(1,992)
Instructional staff	1,600	8,225	(6,625)
General administration	15,900	16,673	(773)
School administration	157,100	149,900	7,200
Business	200	234	(34)
Operation and maintenance of plant	32,400	38,810	(6,410)
Student transportation	5,000	5,556	(556)
Total support services	<u>249,877</u>	<u>259,067</u>	<u>(9,190)</u>
Debt service:			
Principal of long-term debt	-	3,325	(3,325)
Interest on long-term debt	3,856	444	3,412
Total debt service	<u>3,856</u>	<u>3,769</u>	<u>87</u>
Total estimated and actual expenditures	<u>\$ 570,435</u>	<u>\$ 557,372</u>	<u>\$ 13,063</u>

**SCHEDULE 3**  
**PACE CAREER ACADEMY**  
**Major General Fund**  
*Schedule of Changes in Unassigned Fund Balance (Non-GAAP Budgetary Basis)*  
*For the Fiscal Year Ended June 30, 2018*

Unassigned fund balance, beginning as restated (see Note 12)		\$ 85,453
Changes:		
2017-2018 Budget summary:		
Revenue shortfall (Schedule 1)	\$(70,973)	
Overdraft of appropriations (Schedule 2)	13,063	
2017-2018 Budget deficit		(57,910)
Increase in nonspendable fund balance		(17,024)
Difference between revenue and expenditure budget		56,642
Unassigned fund balance, ending		\$ 67,161