

COLORADO HIGH SCHOOL CHARTER

BASIC FINANCIAL STATEMENTS

June 30, 2016

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FINANCIAL SECTION



JOHN CUTLER & ASSOCIATES

Board of Directors
Colorado High School Charter
Denver, Colorado

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities and each major fund of the Colorado High School Charter (the "School"), component unit of the Denver Public School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the basic financial statements of the School, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Colorado High School Charter School as of June 30, 2016, and the respective changes in financial position, and, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, schedule of the school's proportionate share, and schedule of the school's contributions on pages 27-30 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

John Luttrell & Associates, LLC

September 14, 2016

Management's Discussion and Analysis

As management of Colorado High School Charter, we offer readers of our financial statements this narrative overview and analysis of the financial activities of Colorado High School Charter for the fiscal year ended June 30, 2016.

Financial Highlights

The assets of the Colorado High School Charter exceeded its liabilities at the close of the most recent fiscal year by \$920,219 (net assets). The School's total assets at the end of the year were \$2,945,706. An accounting rule change requiring the School to recognize its share of potential future PERA pension liabilities increased liabilities and reduced fund balance by \$1,023,562. This liability does not represent an expected cash outlay for the school. Without this accounting change, the School's fund balance would be \$1,943,781. (See Note 6 to the financial statements.)

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Colorado High School Charter's basic financial statements. These basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements to give the reader a more detailed view of the school's financial performance.

Government-Wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of Colorado High School Charter's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of Colorado High School Charter's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flow changes in future fiscal periods (e.g., items purchased but not paid for). The government-wide financial statements include Colorado High School Charter's instruction and supporting services.

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. Colorado High School Charter, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of CHSC's funds are governmental funds.

Governmental funds. Governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the School's near-term financing requirements.

Colorado High School Charter maintains two governmental fund, the General Fund and the Colorado High School Promise Fund. The Colorado High School Promise Fund is a new fund, established to hold the building occupied by the school and the related mortgage.

Colorado High School Charter adopts an annual appropriated budget for its funds. Budgetary comparison schedules have been provided for the general fund to demonstrate compliance with this budget.

Instruction vs. Support Expenses. Under the Colorado Department of Education Chart of Accounts for use by Colorado Public School Districts, Colorado High School Charter is required to identify expenses directly related to *Instruction vs. Support*.

Instruction service programs include direct activities between staff and students and can include teaching activities and the assistance of paraprofessionals or classroom assistants. *Support* service programs are those activities which facilitate and enhance instruction and may include administrative functions and centralized operations for the benefit of students, staff, and the school community.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of the School’s financial position. Colorado High School Charter’s assets increased by \$1,895,284. During this fiscal year, Colorado High School Promise purchased the space the school has been renting since its inception as well as additional space on the same floor. This additional space will be remodeled in the coming year and will be used to accommodate future growth. Liabilities increased by \$1,416,011, almost entirely due to the mortgage on the building space and the accounting change requiring the School to record its share of potential future pension liabilities. (See Note 6 to the financial statements.)

Colorado High School Charter’s Net Assets:

	<u>2015-16</u>	<u>2014-15</u>
Assets		
Current Assets	\$1,277,714	\$ 943,270
Deposit held by Denver Public Schools		58,723
Capital Assets, net of depreciation	1,667,992	48,429
Total Assets	<u>2,945,706</u>	<u>1,050,422</u>
Liabilities	1,176,396	88,415
Net Assets		
Restricted	81,000	66,200
Unrestricted	839,219	170,573
Long-term liabilities and related assets, related to pensions	(849,091)	(725,234)
Total Net Assets	<u>\$ 920,219</u>	<u>\$ 236,773</u>

Colorado High School Charter's Change in Net Assets:

	<u>2015-16</u>	<u>2014-15</u>
Revenues:		
Operating Grants and Contributions	\$ 214,948	\$ 210,280
Per Pupil Operating Revenue	1,790,937	1,384,626
Mill Levy Override	818,385	723,345
Capital Construction	59,453	31,658
Investment Earnings	4,088	1,215
Other	14,265	11,523
Total Revenues	<u>2,902,076</u>	<u>2,362,647</u>
Expenses:		
Instructional	1,091,973	1,072,556
Supporting Services	1,075,872	812,317
Interest on Long-term Debt	50,785	
Total Expenses	<u>2,218,630</u>	<u>1,884,873</u>
Increase (Decrease) in Net Assets	683,446	477,774
Net Assets, beginning of year	236,773	(241,001)
Net Assets, end of year	<u>\$ 920,219</u>	<u>\$ 236,773</u>

Colorado High School's funded pupil count was 186 in FY15 and 230 in FY16. In FY16 the School received additional Mill Levy grant funding of \$185,500 used to provide additional instruction and programs for students.

Financial Analysis of the School's Funds

Governmental funds. Unreserved fund balance is a useful measure of the School's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year Colorado High School Charter's governmental fund had an ending unreserved fund balance of \$837,770. During this fiscal year, the School used \$745,787 of its prior year accumulated fund balance to purchase the building space it had been renting since the school's founding and to acquire additional space to be renovated in FY17 and used for additional classroom and office space as the School continues to grow.

General Fund Budgetary Highlights

The District approves a budget in June based on enrollment projections for the following school year. In January after enrollment stabilizes, adjustments are made to the budget. The Board approves budget amendments as needed throughout the year. Expenditures were under budget for the year in compliance with State statute.

Capital Assets

Colorado High School Charter's investment in capital assets as of June 30, 2016, amounts to \$1,667,992 (net of accumulated depreciation). This investment in capital assets consists of the building space purchased in the current year, prior year school renovations and equipment. The detail of this investment is in Note 4 to the financial statements.

Requests for Information

This financial report is designed to provide a general overview of Colorado High School Charter's finances for all those with an interest in the School's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the CHSC Business Manager, 1175 Osage Street, Suite #100, Denver, Colorado 80204.

BASIC FINANCIAL STATEMENTS

COLORADO HIGH SCHOOL CHARTER

STATEMENT OF NET POSITION

As of June 30, 2016

	Governmental Activities	
	2016	2015
ASSETS		
Cash and Investments	\$ 1,091,139	\$ 829,219
Restricted Cash	85,738	58,723
Accounts Receivable	39,174	91,085
Prepaid Expenses	61,663	22,466
Deposits	-	500
Capital Assets, Depreciated		
Net of Accumulated Depreciation	<u>1,667,992</u>	<u>48,429</u>
 TOTAL ASSETS	 <u>2,945,706</u>	 <u>1,050,422</u>
DEFERRED OUTFLOWS OF RESOURCES		
Related to Pensions	<u>292,074</u>	<u>64,710</u>
LIABILITIES		
Accounts Payable	32,575	1,455
Accrued Salaries and Benefits	108,714	86,960
Unearned Revenues	61,663	-
Security Deposits	1,000	-
Noncurrent Liabilities		
Loan Payable		
Due in One Year	19,286	-
Due in More than One Year	953,158	-
Net Pension Liability	<u>1,023,562</u>	<u>783,947</u>
 TOTAL LIABILITIES	 <u>2,199,958</u>	 <u>872,362</u>
DEFERRED INFLOWS OF RESOURCES		
Related to Pensions	<u>117,603</u>	<u>5,997</u>
NET POSITION		
Restricted for Emergencies	81,000	66,200
Unrestricted	<u>839,219</u>	<u>170,573</u>
 TOTAL NET POSITION	 <u>\$ 920,219</u>	 <u>\$ 236,773</u>

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

COLORADO HIGH SCHOOL CHARTER

STATEMENT OF ACTIVITIES
Year Ended June 30, 2016

<u>FUNCTIONS/PROGRAMS</u>	PROGRAM REVENUES				NET (EXPENSE)	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	REVENUE AND CHANGES IN NET POSITION	
					2016	2015
PRIMARY GOVERNMENT						
Governmental Activities						
Instructional	\$ 1,091,973	\$ -	\$ 147,412	\$ -	\$ (944,561)	\$ (929,812)
Supporting Services	1,075,872	-	67,536	59,453	(948,883)	(713,123)
Interest on Long-term Debt	50,785	-	-	-	(50,785)	-
Total Governmental Activities	\$ 2,218,630	\$ -	\$ 214,948	\$ 59,453	(1,944,229)	(1,642,935)
GENERAL REVENUES						
Per Pupil Revenue					1,790,937	1,384,626
Mill Levy Override					818,385	723,345
Interest					4,088	1,215
Miscellaneous					14,265	11,523
TOTAL GENERAL REVENUES					2,627,675	2,120,709
CHANGE IN NET POSITION					683,446	477,774
NET POSITION, Beginning					236,773	(241,001)
NET POSITION, Ending					\$ 920,219	\$ 236,773

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

COLORADO HIGH SCHOOL CHARTER

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2016

	GENERAL FUND	COLORADO HIGH SCHOOL PROMISE	TOTAL GOVERNMENTAL FUNDS	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
ASSETS				
Cash and Investments	\$ 1,087,166	\$ 3,973	\$ 1,091,139	\$ 829,219
Restricted Cash	-	85,738	85,738	58,723
Accounts Receivable	39,174	-	39,174	91,085
Prepaid Expenses	61,663	-	61,663	22,466
Deposits	-	-	-	500
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 1,188,003</u>	<u>\$ 89,711</u>	<u>\$ 1,277,714</u>	<u>\$ 1,001,993</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 32,575	\$ -	\$ 32,575	\$ 1,455
Accrued Salaries and Benefits	108,714	-	108,714	86,960
Unearned Revenues	-	61,663	61,663	-
Security Deposit	-	1,000	1,000	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u>141,289</u>	<u>62,663</u>	<u>203,952</u>	<u>88,415</u>
FUND BALANCES				
Nonspendable	61,663	-	61,663	22,966
Restricted for Emergencies	81,000	-	81,000	66,200
Restricted for Mill Levy Override	66,281	-	66,281	93,844
Restricted for Debt Service	-	27,048	27,048	-
Unassigned	837,770	-	837,770	730,568
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL FUND BALANCES	<u>1,046,714</u>	<u>27,048</u>	<u>1,073,762</u>	<u>913,578</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,188,003</u>	<u>\$ 89,711</u>		

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		1,667,992		48,429
Long-term liabilities and related assets are not due and payable in the current period and, therefore, are not reported in the funds. This liability includes loan payable (\$972,444), net pension liability of (\$1,023,562), deferred outflows related to pensions of \$292,074, and deferred inflows related to pensions of (\$117,603).		(1,821,535)		(725,234)
Net Position of governmental funds		<u>\$ 920,219</u>		<u>\$ 236,773</u>

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

COLORADO HIGH SCHOOL CHARTER

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2016

	GENERAL FUND	COLORADO HIGH SCHOOL PROMISE	TOTAL GOVERNMENTAL FUNDS	
			2016	2015
REVENUES				
Local Sources	\$ 2,685,267	\$ 1,967	\$ 2,687,234	\$ 2,206,568
State and Federal Sources	214,842	-	214,842	156,079
TOTAL REVENUES	2,900,109	1,967	2,902,076	2,362,647
EXPENDITURES				
Current				
Instruction	1,010,241	-	1,010,241	1,008,151
Supporting Services	863,689	1,789,621	2,653,310	833,363
Debt Service				
Principal	-	17,556	17,556	-
Interest	-	50,785	50,785	-
TOTAL EXPENDITURES	1,873,930	1,857,962	3,731,892	1,841,514
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,026,179	(1,855,995)	(829,816)	521,133
OTHER FINANCING USES				
Proceeds from Issuance of Debt	-	990,000	990,000	-
Transfers In		893,043	893,043	-
Transfers Out	(893,043)	-	(893,043)	-
TOTAL OTHER FINANCING SOURCES	(893,043)	1,883,043	990,000	-
NET CHANGE IN FUND BALANCES	133,136	27,048	160,184	521,133
FUND BALANCES, Beginning	913,578	-	913,578	392,445
FUND BALANCES, Ending	\$ 1,046,714	\$ 27,048	\$ 1,073,762	\$ 913,578

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

COLORADO HIGH SCHOOL CHARTER

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2016

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

Net change in fund balances - total governmental funds	\$ 160,184
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This amount is that capital outlay \$1,670,000, exceeded depreciation expense (\$50,437) for the year.	1,619,563
Loan proceeds are reported as financing sources in the governmental funds and increase fund balance. In the government-wide statements, however, issuing debt increases long-term liabilities in the statement of net position and does not effect the statement of activities.	(990,000)
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. These are the note payments for the year.	17,556
Deferred Charges related to pensions are not recognized in the governmental funds. However, for the government-wide funds those amounts are capitalized and amortized.	<u>(123,857)</u>
Change in net position of governmental activities	<u><u>\$ 683,446</u></u>

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

COLORADO HIGH SCHOOL CHARTER

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Colorado High School Charter (the “School”) was organized pursuant to the Colorado Charter Schools Act to form and operate a charter school within the Denver Public School District (the “District”) in the State of Colorado. The School began classes in the fall of 2002.

The accounting policies of the School conform to generally accepted accounting principles as applicable to governmental units. Following is a summary of the more significant policies.

Reporting Entity

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

The School includes the Colorado High School Promise, Inc. (“CHSP”) within its reporting entity. The CHSP was formed to support and assist the School to perform its function and to carry out its purpose, specifically to assist in the financing of the School’s facilities. The CHSP is blended into the School’s financial statements as a special revenue fund. Separate financial statements are not available for this entity. The School is a component unit of the Denver Public School District.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the School. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by intergovernmental revenues, are reported in a single column.

The statement of net position presents information on all of the School’s assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between the components (assets and deferred outflows of resources, less liabilities and deferred inflows of resource) presented as net position. Net position is reported as one of three categories: net investment in capital assets, restricted, or unrestricted. Restricted net position is further classified as either net position restricted by enabling legislation or net position that is otherwise restricted. Over time, increases or decrease in net position may serve as useful indicators of whether the School’s financial position is improving or deteriorating.

COLORADO HIGH SCHOOL CHARTER
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of the given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment.

Program revenues include 1) charges to students or others who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Unrestricted intergovernmental revenues not properly included among program revenues are reported instead as general revenues.

Major individual governmental funds are reported in separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period, not to exceed 60 days. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Intergovernmental revenues, grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the School.

Internally dedicated resources are reported as general revenues rather than as program revenues.

When both restricted and unrestricted resources are available for use, it is the School's policy to use restricted resources first and the unrestricted resources as they are needed.

COLORADO HIGH SCHOOL CHARTER
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(Continued)

The School reports the following major governmental fund:

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

Colorado High School Promise Fund— This fund is used to account for the activities related to the purchase and lease of the School’s facility.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and balance sheets 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 and fund balance 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 the liabilities, the statement of financial position and balance sheets 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 and fund balance that applies to a futures period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Assets, Liabilities and Fund Balance/Net Position

Investments – Investments are reported at fair value.

Receivables – Receivables are reported at their gross value, and, where appropriate, are reduced by the estimated portion that is expected to be uncollectable.

Prepaid Expenses – Payments made to vendors for services that will benefit future periods are recorded as prepaid expense. An expenditure is reported in the year in which the services are consumed.

COLORADO HIGH SCHOOL CHARTER
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Fund Balance/Net Position (Continued)

Capital Assets – Capital assets, which include property and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the School as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Depreciation of exhaustible capital assets is charged as an expense against operations, and accumulated depreciation is reported on the statement of net position in the government-wide financial statements. Depreciation has been provided over the following estimated useful lives of the capital assets using the straight-line method: buildings improvements, 10 years, and vehicles and equipment, 5 years.

Long-Term Debt – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs are recognized in the current period. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period.

The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as current expenditures.

Net Position – The government-wide fund financial statements utilize a net position presentation. Net position is categorized as investment in capital assets, restricted, and unrestricted. Investment in capital assets is intended to reflect the portion of net position which is associated with non-liquid, capital assets less outstanding capital asset related debt. The net related debt is the debt less the outstanding liquid assets and any associated unamortized cost. Restricted net position is liquid assets, which have third party limitations on their use. Unrestricted net position represents assets that do not have any third party limitations on their use.

Fund Balance Classification – The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the School is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

COLORADO HIGH SCHOOL CHARTER
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Fund Balance/Net Position (Continued)

- Nonspendable – This classification includes amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact. The School considers Prepaid Expenses and Deposits as nonspendable.
- Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The School has classified Emergency Reserves as being restricted because their use is restricted by State Statute for declared emergencies. The School has also classified unspent Mill Levy Override funds as restricted as their use is restricted by DPS.
- Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The School did not have any committed resources as of June 30, 2016.
- 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.

Compensated Absences

School employees are allowed to use six personal days each school year. The Principal and Assistant Principal earn seven days per year. Employees are paid for any unused personal days at \$90 per day at the end of the school year and can carry over up to one year of personal days. A liability for unused personal days are reported in the financial statements as part of Accrued Salaries and Benefits.

COLORADO HIGH SCHOOL CHARTER

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Risk Management

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The School carries commercial coverage for these risks of loss. The School has not experienced losses in excess of insured amounts in the last three years.

Comparative Data

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the School's financial position and operations. However, complete comparative data in accordance with generally accepted accounting principles has not been presented since its inclusion would make the financial statements unduly complex and difficult to read. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

A budget is adopted for all funds on a basis consistent with generally accepted accounting principles.

School management submits to the Board of Directors a proposed budget for the fiscal year commencing the following July 1. The budget is adopted by the Board of Directors prior to June 30. Expenditures may not legally exceed appropriations at the fund level. Revisions must be approved by the Board of Directors. The budget includes proposed expenditures and the means of financing them. All appropriations lapse at fiscal year end.

COLORADO HIGH SCHOOL CHARTER
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE 3: CASH AND INVESTMENTS

Cash and Investments at June 30, 2016 consisted of the following:

Petty Cash	\$ 200
Deposits	102,369
Investments	<u>1,074,308</u>
Total	<u>\$ 1,176,877</u>

Deposits

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. At June 30, 2016, State regulatory commissioners have indicated that all financial institutions holding deposits for the School are eligible public depositories. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group.

The market value of the collateral must be at least equal to 102% of the uninsured deposits. The School has no policy regarding custodial credit risk for deposits.

At June 30, 2016, the School had deposits with financial institutions with a carrying amount of \$102,369. The bank balances with the financial institutions were \$102,269, which was covered by federal depository insurance.

Investments

Interest Rate Risk

The School does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

COLORADO HIGH SCHOOL CHARTER
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE 3: **CASH AND INVESTMENTS** (Continued)

Investments (Continued)

Credit Risk

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

- Obligations of the United States and certain U.S. Government Agency securities
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Local government investment pools
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts

The School has no policy for managing credit risk or interest rate risk.

The School had invested \$1,074,308 in the Colorado Government Liquid Asset Trust (COLOTRUST) which has a credit rating of AAAM by Standard and Poor's. COLOTRUST is an investment vehicle established for local government entities in Colorado to pool surplus funds and is regulated by the State Securities Commissioner. It operates similarly to a money market fund and each share is equal in value to \$1.00. Investments consist of U.S. Treasury and U.S. Agency securities, and repurchase agreements collateralized by U.S. Treasury and U.S. Agency securities. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. Substantially all securities owned are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by the entities.

Restricted Cash and Investments

Cash in the amount of \$85,738 is restricted in the CHSP Fund as a debt reserve requirement related to the loan covenants.

COLORADO HIGH SCHOOL CHARTER

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE 4: CAPITAL ASSETS

Capital Assets activity for the year ended June 30, 2016 is summarized below.

	<u>Balance</u> <u>June 30, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2016</u>
Governmental Activities				
Capital Assets, Being Depreciated				
Building Improvements	\$ -	\$ 1,670,000	\$ -	\$ 1,670,000
Building Improvements	158,583	-	-	158,583
Equipment	<u>65,736</u>	<u>-</u>	<u>-</u>	<u>65,736</u>
 Total Capital Assets, Being Depreciated	 <u>224,319</u>	 <u>1,670,000</u>	 <u>-</u>	 <u>1,894,319</u>
 Accumulated Depreciation				
Building Improvements	-	39,714	-	39,714
Building Improvements	142,242	3,615	-	145,857
Equipment	<u>33,648</u>	<u>7,108</u>	<u>-</u>	<u>40,756</u>
Total Accumulated Depreciation	<u>175,890</u>	<u>50,437</u>	<u>-</u>	<u>226,327</u>
 Net Capital Assets	 <u>\$ 48,429</u>	 <u>\$ 1,619,563</u>	 <u>\$ -</u>	 <u>\$ 1,667,992</u>

Depreciation has been charged to the supporting services program of the School.

NOTE 5: LONG-TERM DEBT

Following is a summary of the School's long-term debt transactions for the year ended June 30, 2016:

	<u>Balance</u> <u>June 30, 2015</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>June 30, 2016</u>	<u>Due In</u> <u>One Year</u>
Loan Payable	<u>\$ -</u>	<u>\$ 990,000</u>	<u>\$ 17,556</u>	<u>\$ 972,444</u>	<u>\$ 19,286</u>

COLORADO HIGH SCHOOL CHARTER
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE 5: LONG-TERM DEBT (Continued)

Loan Payable

In July 2015, the CHSP entered into a loan agreement with New Resource Bank. Proceeds in the amount of \$990,000 were used to purchase the School's building. The School is required to make equal lease payments to the CHSP for the use of the building. The CHSP is required to make payments of principal and interest to the bank. Interest accrues at a rate of 5.65% per year. The loan matures in July, 2025.

Future debt service requirements are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 19,286	\$ 55,268	\$ 74,554
2018	20,421	54,133	74,554
2019	21,622	52,932	74,554
2020	22,751	51,803	74,554
2021	24,231	50,323	74,554
2022-2026	<u>864,133</u>	<u>189,856</u>	<u>1,053,989</u>
Totals	<u>\$ 972,444</u>	<u>\$ 454,315</u>	<u>\$ 1,426,759</u>

NOTE 6: ACCRUED SALARIES AND BENEFITS

Salaries and retirement benefits of certain contractually employed personnel are paid over a twelve-month period from August to July, but are earned during a school year of nine months. The salaries and benefits earned, but unpaid, as of June 30, 2016, were \$108,714 in the General Fund.

COLORADO HIGH SCHOOL CHARTER
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE 7: DEFINED BENEFIT PENSION PLAN

Summary of Significant Accounting Policies

Pensions. The School participates in the Denver Public Schools Division Trust Fund (DPS Division), a single-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 DPS Division 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.

General Information about the Pension Plan

Plan description. Eligible employees of the School are provided with pensions through the Denver Public Schools Division Trust Fund (DPS Division)—a single-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 Denver Public Schools (DPS) Benefit Structure is the greater of the:

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit
- \$15 times the first 10 years of service credit plus \$20 times service credit over 10 years plus a monthly amount equal to the annuitized member contribution account balance based on life expectancy and other actuarial factors.

COLORADO HIGH SCHOOL CHARTER
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE 7: **DEFINED BENEFIT PENSION PLAN** (Continued)

General Information about the Pension Plan (Continued)

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 federal Internal Revenue Code.

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 (COLAs), 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 and all benefit recipients of the DPS benefit structure 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 DPS Division.

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. The disability benefit amount is based on the retirement benefit formula shown above considering a minimum 20 years of service credit, if deemed disabled.

COLORADO HIGH SCHOOL CHARTER
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2016

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

General Information about the Pension Plan (Continued)

Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure(s) under which service credit was obtained, and the qualified survivor(s) who will receive the benefits.

Contributions. Eligible employees and the School are required to contribute to the DPS Division 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 in the table below:

	For the Year Ended December 31, 2015	For the Year Ended December 31, 2016
Employer Contribution Rate	10.15%	10.15%
Amount of Employer Contribution apportioned to the DPS HCTF as specified in C.R.S. § 24-51-208(1)(f)	(1.02%)	(1.02%)
PCOP Offset as specified in C.R.S. § 24-51-412	(15.97%)	(15.54%)
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411	4.20%	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411	4.00%	4.50%
Total Employer Contribution Rate to the DPS Division	1.36%	2.59%

¹Rates are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

Employer contributions are recognized by the DPS Division in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions to the DPS Division. Employer contributions recognized by the DPS Division from School were \$24,700 for the year ended June 30, 2016.

COLORADO HIGH SCHOOL CHARTER
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, the School reported a liability of \$1,023,562 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 School's proportion of the net pension liability was based on the School's contributions to the DPS Division for the calendar year 2015 relative to the total contributions of participating employers to the DPS Division.

At December 31, 2015, the School's proportion was 0.12582%, which was an increase of 0.00030% from its proportion measured as of December 31, 2014.

For the year ended June 30, 2016, the School recognized pension expense of \$148,558. At June 30, 2016, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 46,089	\$ 133
Changes of assumptions or other inputs	N/A	\$ 114,572
Net difference between projected and actual earnings on pension plan investments	\$ 230,973	N/A
Changes in proportion and differences between contributions recognized and proportionate share of contributions	N/A	\$ 2,898
Contributions subsequent to the measurement date	\$ 15,012	N/A
Total	\$ 292,074	\$ 117,603

COLORADO HIGH SCHOOL CHARTER
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2016

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

\$15,012 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. 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 ended June 30:	
2017	\$ 43,051
2018	\$ 43,051
2019	\$ 43,051
2020	\$ 30,470
2021	(\$164)

Actuarial assumptions. The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.80 percent
Real wage growth	1.10 percent
Wage inflation	3.90 percent
Salary increases, including wage inflation	3.90 – 10.10 percent
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.50 percent
Future post-retirement benefit increases:	
PERA Benefit Structure hired prior to 1/1/07; and DPS Benefit Structure (automatic)	2.00 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.

COLORADO HIGH SCHOOL CHARTER
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

The actuarial assumptions used in the December 31, 2014 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.

Changes to assumptions or other inputs since the December 31, 2013 actuarial valuation are as follows:

- The following programming changes were made:
 - Valuation of the full survivor benefit without any reduction for possible remarriage.
 - Reflection of the employer match on separation benefits for all eligible years.
 - Reflection of one year of service eligibility for survivor annuity benefit.
 - Refinement of the 18 month annual increase timing.
 - Refinements to directly value certain and life, modified cash refund and pop-up benefit forms.
- The following methodology changes were made:
 - Recognition of merit salary increases in the first projection year.
 - Elimination of the assumption that 35% of future disabled members elect to receive a refund.
 - Removal of the negative value adjustment for liabilities associated with refunds of future terminating members.
 - Adjustments to the timing of the normal cost and unfunded actuarial accrued liability payment calculations to reflect contributions throughout the year.

The DPS Division'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 November 15, 2013 adoption of the long-term expected rate of return by the PERA Board, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

COLORADO HIGH SCHOOL CHARTER

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

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 7.50%.

Discount rate. The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.90%.
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.

COLORADO HIGH SCHOOL CHARTER

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE 7: DEFINED BENEFIT PENSION PLAN(Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law, including current and estimated future AED and SAED, until the Actuarial Value Funding Ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the plan's fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan's fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

Based on the above actuarial cost method and assumptions, the DPS Division'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.

COLORADO HIGH SCHOOL CHARTER
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2016

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Sensitivity of the School's 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 7.50 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 (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability	\$1,602,241	\$1,023,562	\$543,456

Pension plan fiduciary net position. Detailed information about the DPS Division'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.

Other Post-Employment Benefits

Health Care Trust Fund

Plan Description – The School contributes to the Health Care Trust Fund ("HCTF"), a cost-sharing multiple-employer healthcare trust administered by PERA. The HCTF benefit Provides 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.

COLORADO HIGH SCHOOL CHARTER

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

Funding Policy – The School 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 the School 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, 2015, and 2014, the School contributions to the HCTF were \$8,394, \$6,766 and \$7,472, respectively, equal to their required contributions for each year.

Taxable Pension Certificates of Participation (PCOPs)

The District issued Taxable Pension Certificates of Participation (PCOPs) on July 17, 1997 to fully fund the unfunded actuarial accrued liability (UAAL) of the Plan. Full funding of the UAAL reduced the employer contribution rate from the full funding rate of 15.75% to the normal cost rate of 4.98%. This rate is based upon actuarially determined contribution requirements, the approval and recommendation of the Plan's Board and approval of the District's Board of Education.

The School contributed 9.95%, 9.84%, and 10.80% of covered payroll for the fiscal years ended June 30, 2016, 2015, and 2014 to the District to cover its obligation relating to the PCOPs. During the fiscal years ended June 30, 2016, 2015, and 2014 the School made contributions totaling \$80,976, \$73,906, and \$79,115, respectively, to the District towards its PCOPs obligation.

NOTE 8: COMMITMENTS AND CONTINGENCIES

Claims and Judgments

The School participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the School may be required to reimburse the grantor government. As of June 30, 2016, significant amounts of grant expenditures have not been audited, but the School believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the School.

COLORADO HIGH SCHOOL CHARTER
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE 8: *COMMITMENTS AND CONTINGENCIES* (Continued)

Tabor Amendment

In November 1992, Colorado voters passed the Tabor Amendment to the State Constitution, which limits state and local government tax powers and imposes spending limitations. Fiscal year 1993 provides the basis for limits in future years to which may be applied allowable increases for inflation and student enrollment. Revenue received in excess of the limitations may be required to be refunded. The School believes it has complied with the Amendment.

As required by the Amendment, the School has established a reserve for emergencies. At June 30, 2016, the reserve of \$81,000 was recorded as a reservation of fund balance in the General Fund.

REQUIRED SUPPLEMENTARY INFORMATION

COLORADO HIGH SCHOOL CHARTER

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2016

	2016			VARIANCE Positive (Negative)	2015 ACTUAL
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL		
REVENUES					
Local Sources					
Per Pupil Revenue	\$ 1,237,970	\$ 1,738,538	\$ 1,790,937	\$ 52,399	\$ 1,384,626
Mill Levy Override	562,107	818,386	818,385	(1)	723,345
Grants and Donations	600	58,121	59,559	1,438	85,859
Interest	1,000	1,000	4,088	3,088	1,215
Other	2,200	3,500	12,298	8,798	11,523
State and Federal Sources					
Grants and Donations	142,582	209,336	214,842	5,506	156,079
TOTAL REVENUES	1,946,459	2,828,881	2,900,109	71,228	2,362,647
EXPENDITURES					
Salaries	857,951	885,455	916,191	(30,736)	770,443
Employee Benefits	219,380	237,166	183,496	53,670	143,930
Purchased Services	612,673	688,210	686,025	2,185	821,216
Supplies and Materials	21,000	30,000	47,159	(17,159)	89,618
Other	36,726	41,958	41,059	899	16,307
TOTAL EXPENDITURES	1,747,730	1,882,789	1,873,930	8,859	1,841,514
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	198,729	946,092	1,026,179	80,087	521,133
OTHER FINANCING USES					
Transfers Out	(138,600)	(1,041,243)	(893,043)	148,200	-
CHANGE IN FUND BALANCES	60,129	(95,151)	133,136	228,287	521,133
FUND BALANCE, Beginning	883,852	883,852	913,578	29,726	392,445
FUND BALANCE, Ending	<u>\$ 943,981</u>	<u>\$ 788,701</u>	<u>\$ 1,046,714</u>	<u>\$ 258,013</u>	<u>\$ 913,578</u>

See the accompanying independent auditors' report.

COLORADO HIGH SCHOOL CHARTER

COLORADO HIGH SCHOOL PROMISE
BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2016

	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES			
Local Sources			
Other	\$ 1,966	\$ 1,967	\$ 1
TOTAL REVENUES	<u>1,966</u>	<u>1,967</u>	<u>1</u>
EXPENDITURES			
Purchased Services	67,595	67,595	-
Capital Outlay	1,722,026	1,722,026	-
Debt Service			
Principal	17,556	17,556	-
Interest	50,785	50,785	-
TOTAL EXPENDITURES	<u>1,857,962</u>	<u>1,857,962</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,855,996)</u>	<u>(1,855,995)</u>	<u>1</u>
OTHER FINANCING USES			
Proceeds from Issuance of Debt	990,000	990,000	-
Transfers In	893,043	893,043	-
TOTAL OTHER FINANCING SOURCES	<u>1,883,043</u>	<u>1,883,043</u>	<u>-</u>
CHANGE IN FUND BALANCES	27,047	27,048	1
FUND BALANCE, Beginning	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, Ending	<u>\$ 27,047</u>	<u>\$ 27,048</u>	<u>\$ 1</u>

See the accompanying independent auditors' report.

COLORADO HIGH SCHOOL CHARTER

SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE
DENVER PUBLIC SCHOOLS DIVISION TRUST FUND

Years Ended December 31,
(School Division Trust Fund Measurement Date)

	<u>2013</u>	<u>2014</u>	<u>2015</u>
School's proportionate share of the Net Pension Liability	0.1269%	0.1255%	0.1258%
School's proportionate share of the Net Pension Liability	\$ 660,075	\$ 783,947	\$ 1,023,562
School's covered-employee payroll	\$ 691,764	\$ 739,744	\$ 822,922
School's proportionate share of the Net Pension Liability as a percentage of its covered-employee payroll	95.4%	106.0%	124.4%
Plan fiduciary net position as a percentage of the total pension liability	86.3%	83.9%	79.3%

See the accompanying independent auditors' report.

COLORADO HIGH SCHOOL CHARTER

SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS
DENVER PUBLIC SCHOOLS DIVISION TRUST FUND

Years Ended June 30,

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Statutorily required contributions	\$ 35,855	\$ 24,476	\$ 24,700
Contributions in relation to the Statutorily required contributions	<u>35,855</u>	<u>24,476</u>	<u>24,700</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's covered-employee payroll	\$ 732,542	\$ 751,082	\$ 822,922
Contributions as a percentage of covered-employee payroll	4.89%	3.26%	3.00%

See the accompanying independent auditors' report.