

BROMLEY EAST CHARTER SCHOOL

FINANCIAL STATEMENTS

June 30, 2016



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Board of Directors
Bromley East Charter School
Brighton, Colorado

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Bromley East Charter School, component unit of Brighton School District 27J, 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 Bromley East Charter 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditors' 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 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 internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Bromley East Charter School as of June 30, 2016, and the respective changes in financial position and cash flows, where applicable, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

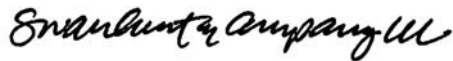
As discussed in Note 9 to the financial statements, the financial statements as of and for the year ended June 30, 2015, have been restated to correct misstatements. Our opinion is not modified with respect to this matter.

Other Matters (Required Supplementary Information)

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

Other Matters (Supplementary Information)

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Bromley East Charter School's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 the 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



October 27, 2016

Bromley East Charter School
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2016

As management of the Bromley East Charter School (BECS), we offer readers of the Bromley East Charter School financial statements this narrative overview and analysis of the financial activities of the Bromley East Charter School for the fiscal year ended June 30, 2016.

Financial Highlights

BECS has completed its fifteenth year of operations. The liabilities of the Bromley East Charter School exceeded its assets at the close of the most recent fiscal year by \$6,753,561 (negative net position). The net position improved over the prior fiscal year by \$1,729,351. The overall negative net position of \$6,753,561 is due to the new GASB 68 pension disclosure reflecting the School's proportionate share of the plan's unfunded pension liability.

At the close of the fiscal year the Bromley East Charter School's governmental funds reported a combined ending fund balance of \$1,846,910, an increase of \$276,865 or 17.6%.

Overview of Financial Statements

This discussion and analysis are intended to serve as an introduction to the Bromley East Charter School's basic financial statements. The Bromley East Charter School's basic financial statements are comprised of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Bromley East Charter School's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all the School's assets, deferred outflows, liabilities, and deferred inflows, with the difference between the assets/deferred outflows and liabilities/deferred inflows being reported as net position. Over time, the increases or decreases in net position may serve as a useful indicator of whether the financial condition 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 changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected grant expenses and earned but unpaid salary and benefits).

Bromley East Charter School
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2016

The government-wide financial statement of activities distinguish functions/programs of the Bromley East Charter School supported primarily by per pupil revenue (PPR) passed through from the District (Brighton School District 27J). The governmental activities of the Bromley East Charter School include instruction and supporting expenses.

The government-wide financial statements can be found on pages 1-2 of this report.

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 Bromley East Charter School, like other governmental units or charter schools, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Bromley East Charter School can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

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 financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the School's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Bromley East Charter School maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund and is considered to be major. Non-major funds include the food service fund. Other funds include an enterprise fund and an agency fund.

Proprietary Funds - Services for which the School charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The School's enterprise fund (one type of proprietary fund) is the same as its business-type activities but provides more detail and additional information such as cash flow analysis. The School reports one proprietary fund the Building Corporation/Community Education Center (CEC).

Bromley East Charter School
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2016

Bromley East Charter School adopts an annual appropriations budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the budget.

In addition to the general fund, annual appropriations are made for the food service fund. Budgetary comparison statements are provided on pages 24 and 26.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the School. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the School's own programs. Total assets and liabilities of the student activity agency fund were \$30,578 for the period ended June 30, 2016.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. This information is provided in pages 9-22.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial condition. In the case of the Bromley East Charter School, liabilities and deferred inflows exceeded assets and deferred outflows by \$6,753,561 for all government funds and business type activities at the close of the most recent fiscal year.

**Bromley East Charter School's Net Position
For the Year Ended June 30, 2016**

	Governmental and Business Type Activities <u>30-Jun-16</u>
Cash and investments	\$2,665,577
Receivables and other current assets	1,001,905
Restricted investments	2,966,237
Capital assets, Net	16,802,388
Total Assets	23,436,107
Deferred Outflows-Cost of Refunding/Pensions	2,970,087
Current liabilities	2,248,154
Accrued interest	51,484
Noncurrent liabilities – Pension/Debt	30,691,855
Total Liabilities	32,991,493

Bromley East Charter School
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2016

Deferred Inflows	168,262
Net position	
Invested in capital assets, Net of related debt/depreciation	(1,258,670)
Restricted for	
Debt Service and Capital Projects	2,639,817
Special Education	94,000
Emergencies Tabor	223,000
Unrestricted	(8,451,708)
Total Net Position	\$ (6,753,561)

The majority of the Bromley East Charter School's assets (71.7%) are in net capital assets. 24% percent of total assets represent cash and investments. The School's net position is negative and exceeds \$6,750,000. This is primarily due to the implementation of GASB 68. The School is now required to disclose its proportionate share of the statewide unfunded pension liability. Overall, the School showed a positive change in the negative net position of \$1,729,351 or 20.4% and ended the year with a negative \$6,753,561 net position.

**Bromley East Charter School's Change in Net Position
For the Years Ended June 30, 2016**

	<u>June 30, 2016</u>
Program Revenue:	
Charges for Services	\$ 339,788
Grants and Contributions	438,269
Capital Grants and Contributions	2,290,133
Total Program Revenue	3,068,190
General Revenue:	
Per Pupil Operating Revenue	6,538,486
Mill Levy Revenue	42,313
Capital Construction	240,087
Investment Earnings	42,151
Other	58,337
Total General Revenue	6,921,374
Total Revenue	9,989,564

Bromley East Charter School
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2016

Expenses:

Current:

Instruction	4,308,008
Supporting Services	2,783,919
Interest and Fiscal Charges	1,168,286
Total Expenses	8,260,213

Increase (Decrease) in Net Position	1,729,351
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Beginning Net Position, June 30 (restated)	\$ (8,482,912)
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Ending Net Position, June 30	\$ (6,753,561)
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Financial Analysis of the Government's Funds

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

Governmental Funds - The focus of the Bromley East School's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Bromley East School's financing requirements. In particular, unrestricted, unassigned fund balance may serve as a useful measure of the School's net resources available for spending as measured at the end of the fiscal year.

As of the end of the current fiscal year, June 30, 2016, the School's governmental funds reported a combined ending fund balance of \$1,846,910, an increase of \$276,865. The food service fund had no ending fund balance and FY16 was its last year of operations.

General Fund Budgetary Highlights

The School approves a budget in June based on enrollment projections or Full Time Equivalents (FTE) for the following school year. In October after enrollment stabilizes, adjustments are made to the budget. For FY 10/11, the State continued to reduce per pupil funding. Fortunately the school was able to increase enrollment to mitigate the funding cuts to a great degree. Enrollment FTEs of 862.8, 879.1, 889.4, 913.94, and 928.84 for FY12, FY13, FY14, FY15 and FY16 respectively showed consistent growth. Due to the expansion, we anticipate a 24% increase in FTE for FY 16/17 or approximately 1,149. The FY16/17 budget currently projects an increase in fund balance of approximately \$259K, or a 14% increase.

Bromley East Charter School
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2016

Capital Asset and Debt Administration

Capital Assets. With the School's expansion of approximately 40,000 square feet, FY16 capital asset additions of \$9,176,298 included a theatre, auxiliary gym, classrooms, mechanical upgrades, administrative offices remodel, and landscaping. The total project cost at completion is estimated to be \$12,000,000. Total depreciation for FY 2015/2016 was \$231,648 resulting in net capital assets of \$16,802,388.

Long-Term Lease Agreement & Debt Financing

Bromley East Charter School entered into a lease agreement with the Community Education Center (CEC), Inc., in 1999. The bonds under which the lease was based were refinanced in June 2005 and refunded in September 2015. Under the terms of the new financing of \$19,155,000, CEC will pay 3.4% with a balloon payment of \$14,045,300 in September 2025. The School is making monthly lease payments ranging from \$70,620 to \$96,302, commencing September 1, 2015, and continuing through September 1, 2025 until the recent refunding of the debt. The total annual lease expense will be approximately \$1,140,000.

The School has agreed to maintain a debt service coverage ratio (DCSR) of 10%, 75 days of cash on hand and finally a 5% unrestricted operating reserve. The actual DCSR for the year was 29%, days of cash on hand were 127 and the unrestricted operating reserve had 5 times of coverage (\$1,520K/\$302K).

The District bond election in the fall of 2015 was successful and resulted in Bromley East receiving \$4,350,000 in bond proceeds commitments for the expansion. This support represents approximately 36% of the overall project cost.

Economic Factors and Next Year's Budget

In November of 2000 voters in Colorado approved a provision to the Colorado constitution providing that K-12 funding would increase at pupil growth, plus inflation, plus 1% for 10 years and thereafter, growth plus inflation. This provision expired in FY 10/11 and continues without the 1% increase. The FY 2016/17 budget projects the Bromley East Charter School General Fund equity will increase by approximately \$259K by year end. With the Colorado economy improving, the State continues to chip away at the unfunded negative factor. The PPR increase for FY16-17 is 1.6% with added help from Capital Construction Funding. The combination of both revenue increases will allow BECS to improve its financial viability in the coming year.

Requests for Information

This financial report is designed to provide a general overview of the Bromley East Charter School'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 Bromley East Charter School, Attn: Bart A. Skidmore, CPA, 356 Longspur Drive, Brighton, CO 80601.

BASIC FINANCIAL STATEMENTS

BROMLEY EAST CHARTER SCHOOL

STATEMENT OF NET POSITION

June 30, 2016

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS
ASSETS			
Cash and Investments	\$ 2,665,577	\$ -	\$ 2,665,577
Restricted Cash and Investments	-	2,966,237	2,966,237
Accounts Receivable	8,634	-	8,634
Other Receivables	-	984,098	984,098
Prepaid Expenses	9,173	-	9,173
Internal Balances	58,207	(58,207)	-
Capital Assets, Not Being Depreciated	2,448	9,851,145	9,853,593
Capital Assets, Net of Accumulated Depreciation	<u>229,813</u>	<u>6,718,982</u>	<u>6,948,795</u>
TOTAL ASSETS	<u>2,973,852</u>	<u>20,462,255</u>	<u>23,436,107</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pensions, Net of Accumulated Amortization	1,723,499	-	1,723,499
Loss on Debt Refunding, Net of Accumulated Amortization	<u>-</u>	<u>1,246,588</u>	<u>1,246,588</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>1,723,499</u>	<u>1,246,588</u>	<u>2,970,087</u>
LIABILITIES			
Accounts Payable	172,073	899,416	1,071,489
Retainage Payable	-	454,057	454,057
Accrued Liabilities	23,203	-	23,203
Accrued Salaries and Benefits	276,230	-	276,230
Claims Payable	398,925	-	398,925
Unearned Revenues	24,250	-	24,250
Accrued Interest Payable	-	51,484	51,484
Noncurrent Liabilities			
Due Within One Year	-	449,750	449,750
Due in More Than One Year	-	18,705,250	18,705,250
Net Pension Liability	<u>11,536,855</u>	<u>-</u>	<u>11,536,855</u>
TOTAL LIABILITIES	<u>12,431,536</u>	<u>20,559,957</u>	<u>32,991,493</u>
DEFERRED INFLOWS OF RESOURCES			
Pensions, Net of Accumulated Amortization	<u>168,262</u>	<u>-</u>	<u>168,262</u>
NET POSITION			
Net Investment in Capital Assets	232,261	(1,490,931)	(1,258,670)
Restricted for Debt Service	-	399,039	399,039
Restricted for Capital Projects	-	2,240,778	2,240,778
Restricted for Special Education	94,000	-	94,000
Restricted for Emergencies	223,000	-	223,000
Unrestricted	<u>(8,451,708)</u>	<u>-</u>	<u>(8,451,708)</u>
TOTAL NET POSITION	<u>\$ (7,902,447)</u>	<u>\$ 1,148,886</u>	<u>\$ (6,753,561)</u>

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

BROMLEY EAST CHARTER SCHOOL

STATEMENT OF ACTIVITIES

Year Ended June 30, 2016

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
PRIMARY GOVERNMENT				
Governmental Activities				
Instruction	\$ 4,308,008	\$ 149,270	\$ 278,092	\$ -
Supporting Services	2,783,919	190,518	160,177	-
Total Governmental Activities	7,091,927	339,788	438,269	-
Business-Type Activities				
Community Education Center	1,168,286	-	-	2,290,133
TOTAL PRIMARY GOVERNMENT	\$ 8,260,213	\$ 339,788	\$ 438,269	\$ 2,290,133

GENERAL REVENUES

Per Pupil Revenue

District Mill Levy

Additional At-Risk Funding

Capital Construction

Grants and Contributions not Restricted to Specific Programs

Investment Income

Miscellaneous

TRANSFERS

TOTAL GENERAL REVENUES AND TRANSFERS

CHANGE IN NET POSITION

NET POSITION, Beginning

NET POSITION, Ending

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

NET (EXPENSES) REVENUES AND
CHANGE IN NET POSITION

GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS
\$ (3,880,646)	\$ -	\$ (3,880,646)
(2,433,224)	-	(2,433,224)
(6,313,870)	-	(6,313,870)
-	1,121,847	1,121,847
(6,313,870)	1,121,847	(5,192,023)
6,538,486	-	6,538,486
42,313	-	42,313
2,516	-	2,516
240,087	-	240,087
5,293	-	5,293
32,814	9,337	42,151
50,528	-	50,528
(955,059)	955,059	-
5,956,978	964,396	6,921,374
(356,892)	2,086,243	1,729,351
(7,545,555)	(937,357)	(8,482,912)
\$ (7,902,447)	\$ 1,148,886	\$ (6,753,561)

BROMLEY EAST CHARTER SCHOOL

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2016

	<u>GENERAL</u>	<u>NONMAJOR FOOD SERVICE</u>	<u>TOTALS</u>
ASSETS			
Cash and Investments	\$ 2,665,577	\$ -	\$ 2,665,577
Accounts Receivable	8,634	-	8,634
Prepaid Expenditures	9,173	-	9,173
Interfund Receivables	<u>58,207</u>	<u>-</u>	<u>58,207</u>
TOTAL ASSETS	<u>\$ 2,741,591</u>	<u>\$ -</u>	<u>\$ 2,741,591</u>
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Accounts Payable	\$ 172,073	\$ -	\$ 172,073
Accrued Liabilities	23,203	-	23,203
Accrued Salaries and Benefits	276,230	-	276,230
Claims Payable	398,925	-	398,925
Unearned Revenues	<u>24,250</u>	<u>-</u>	<u>24,250</u>
TOTAL LIABILITIES	<u>894,681</u>	<u>-</u>	<u>894,681</u>
FUND BALANCE			
Nonspendable Prepaid Expenditures	9,173	-	9,173
Restricted for Special Education	94,000	-	94,000
Restricted for Emergencies	223,000	-	223,000
Unrestricted, Unassigned	<u>1,520,737</u>	<u>-</u>	<u>1,520,737</u>
TOTAL FUND BALANCE	<u>1,846,910</u>	<u>-</u>	<u>1,846,910</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 2,741,591</u>	<u>\$ -</u>	<u>\$ 2,741,591</u>

Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:

Total Fund Balance of the Governmental Fund	\$ 1,846,910
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	232,261
Long-term liabilities and related items, including net pension liability (\$11,536,855), pension-related deferred outflows of resources \$1,723,499, and pension-related deferred inflows of resources (\$168,262), are not due and payable in the current year and, therefore are not reported in governmental funds.	<u>(9,981,618)</u>
Total Net Position of Governmental Activities	<u>\$ (7,902,447)</u>

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

BROMLEY EAST CHARTER SCHOOL

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

	<u>GENERAL</u>	NONMAJOR FOOD <u>SERVICE</u>	<u>TOTALS</u>
REVENUES			
Local Sources	\$ 6,818,704	\$ 190,518	\$ 7,009,222
State Sources	434,447	4,408	438,855
Federal Sources	<u>96,115</u>	<u>145,902</u>	<u>242,017</u>
 TOTAL REVENUES	 <u>7,349,266</u>	 <u>340,828</u>	 <u>7,690,094</u>
EXPENDITURES			
Instruction	3,865,798	-	3,865,798
Supporting Services	<u>3,109,871</u>	<u>437,560</u>	<u>3,547,431</u>
 TOTAL EXPENDITURES	 <u>6,975,669</u>	 <u>437,560</u>	 <u>7,413,229</u>
 EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	 <u>373,597</u>	 <u>(96,732)</u>	 <u>276,865</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	-	96,732	96,732
Transfers Out	<u>(96,732)</u>	<u>-</u>	<u>(96,732)</u>
 TOTAL OTHER FINANCING SOURCES (USES)	 <u>(96,732)</u>	 <u>96,732</u>	 <u>-</u>
 NET CHANGE IN FUND BALANCE	 276,865	 -	 276,865
FUND BALANCE, Beginning	<u>1,570,045</u>	<u>-</u>	<u>1,570,045</u>
FUND BALANCE, Ending	\$ <u><u>1,846,910</u></u>	\$ <u><u>-</u></u>	\$ <u><u>1,846,910</u></u>

Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:

Net Change in Fund Balance of the Governmental Fund	\$ 276,865
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This amount represents depreciation expense in the current year.	(44,142)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This amount represents the change net pension liability (\$1,633,612), pension-related deferred outflows of resources \$1,203,960, and pension-related deferred inflows of resources (\$159,963) in the current year.	<u>(589,615)</u>
Change in Net Position of Governmental Activities	\$ <u><u>(356,892)</u></u>

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

BROMLEY EAST CHARTER SCHOOL

STATEMENT OF NET POSITION

PROPRIETARY FUND

June 30, 2016

	<u>COMMUNITY EDUCATION CENTER</u>
ASSETS	
CURRENT ASSETS	
Restricted Cash and Investments	\$ 2,966,237
Other Receivables	984,098
TOTAL CURRENT ASSETS	<u>3,950,335</u>
NONCURRENT ASSETS	
Capital Assets, Not Being Depreciated	9,851,145
Capital Assets, Net of Accumulated Depreciation	6,718,982
TOTAL NONCURRENT ASSETS	<u>16,570,127</u>
TOTAL ASSETS	<u>20,520,462</u>
DEFERRED OUTFLOWS OF RESOURCES	
Loss on Debt Refunding, Net of Accumulated Amortization	<u>1,246,588</u>
LIABILITIES	
CURRENT LIABILITIES	
Accounts Payable	899,416
Retainage Payable	454,057
Interfund Payables	58,207
Accrued Interest Payable	51,484
Loan Payable, Current Portion	449,750
TOTAL CURRENT LIABILITIES	1,912,914
NONCURRENT LIABILITIES	
Loan Payable	<u>18,705,250</u>
TOTAL LIABILITIES	<u>20,618,164</u>
NET POSITION	
Net Investment in Capital Assets	(1,490,931)
Restricted for Debt Service	399,039
Restricted for Capital Proects	2,240,778
TOTAL NET POSITION	<u>\$ 1,148,886</u>

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

BROMLEY EAST CHARTER SCHOOL

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
PROPRIETARY FUND
 Year Ended June 30, 2016

	<u>COMMUNITY EDUCATION CENTER</u>
OPERATING REVENUES	
Lease Income	\$ <u>955,059</u>
TOTAL OPERATING REVENUES	<u>955,059</u>
OPERATING EXPENSES	
Depreciation	187,506
Debt Service	
Interest and Fiscal Charges	<u>502,554</u>
TOTAL OPERATING EXPENSES	<u>690,060</u>
NET OPERATING INCOME	<u>264,999</u>
NONOPERATING REVENUES (EXPENSES)	
Investment Income	9,337
Debt Issuance Costs	<u>(478,226)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(468,889)</u>
NET INCOME BEFORE CAPITAL CONTRIBUTIONS	(203,890)
CAPITAL CONTRIBUTIONS	
District Contributions	<u>2,290,133</u>
CHANGE IN NET POSITION	2,086,243
NET POSITION, Beginning	<u>(937,357)</u>
NET POSITION, Ending	\$ <u><u>1,148,886</u></u>

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

BROMLEY EAST CHARTER SCHOOL

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

Year Ended June 30, 2016

Increase (Decrease) in Cash and Cash Equivalents

	<u>COMMUNITY EDUCATION CENTER</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Lease Payments Received	\$ 955,059
Loan Principal	(400,000)
Loan Interest and Fiscal Charges Paid	<u>(506,890)</u>
Net Cash Provided (Used) by Operating Activities	<u>48,169</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and Construction of Capital Assets	(8,164,181)
Interest Paid and Capitalized	(135,164)
Capital Contributions Received	2,290,133
Debt Proceeds	18,170,902
Payment to Escrow Agent	(10,919,148)
Debt Issuance Costs Paid	<u>(360,552)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>881,990</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Income Received	<u>12,117</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	942,276
CASH AND CASH EQUIVALENTS, Beginning	<u>2,023,961</u>
CASH AND CASH EQUIVALENTS, Ending	<u>\$ 2,966,237</u>
RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Net Operating Income	\$ 264,999
Adjustments to Reconcile Net Operating Income to Net Cash Provided (Used) by Operating Activities	
Depreciation Expense	187,506
Amortization of Loss on Debt Refunding	113,326
Changes in Assets and Liabilities	
Accrued Interest Payable	(117,662)
Loan Payable	<u>(400,000)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 48,169</u>

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

BROMLEY EAST CHARTER SCHOOL

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND
June 30, 2016

	<u>STUDENT ACTIVITY</u>
ASSETS	
Cash and Investments	\$ <u>30,578</u>
TOTAL ASSETS	\$ <u><u>30,578</u></u>
LIABILITIES	
Due to Student Groups	\$ <u>30,578</u>
TOTAL LIABILITIES	\$ <u><u>30,578</u></u>

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

BROMLEY EAST CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Bromley East Charter School (the “School”) was organized pursuant to the Colorado Charter Schools Act to form and operate a charter school within the Brighton School District 27J (the “District”).

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

Reporting Entity

The financial reporting entity consists of the School, organizations for which the School is financially accountable, and organizations that raise and hold economic resources for the direct benefit of the School. All funds, organizations, institutions, agencies, departments and offices that are not legally separate are part of the School. 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 there is a potential for the organization to provide benefits to, or impose financial burdens on, the School.

The School includes the Community Education Center, Inc. (CEC) within its reporting entity. CEC was organized primarily to finance the acquisition and construction of educational facilities, and currently leases facilities only to the School. CEC is blended into the School’s financial statements as an enterprise fund, and does not issue separate financial statements.

The School is a component unit of the District. The School’s charter was authorized by the District and the majority of the School’s funding is provided by the 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 activities of the School. For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are charges for interfund services that are reasonably equivalent to the services provided. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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 revenues not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for the governmental funds, the proprietary fund, and the fiduciary fund, even though the latter is excluded from the government-wide financial statements. Major individual funds are reported as separate columns in the fund financial statements.

BROMLEY EAST CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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*, as are the proprietary fund financial statements. 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. Available means collected within the current year or soon enough thereafter to pay liabilities of the current year, not to exceed 60 days. Intergovernmental revenues, grants, and interest associated with the current year are considered to be susceptible to accrual and so have been recognized as revenues of the current year. All other revenues are considered to be measurable and available only when cash is received by the School. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The agency fund financial statements are reported using the accrual basis of accounting.

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

The School reports the following major governmental fund:

General Fund - This is the general operating fund of the School. It is currently used to account for all financial activities of the School except those reported in another fund.

The School reports the following major proprietary fund:

Community Education Center - This fund is used to account for the financial activities of CEC, including facilities acquisition and construction, and the related debt service.

Additionally, the School reports the following fund type:

The *Agency Fund* is used to account for resources received to support student activities. The School holds all resources in a purely custodial capacity.

Cash and Investments - Cash equivalents include investments with original maturities of three months or less.

BROMLEY EAST CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Fund Balance/Net Position

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

Prepaid Expenses - Certain payments to vendors reflect costs applicable to future years and are reported as prepaid expenses.

Interfund Receivables and Payables - During the course of operations, certain transactions occur between individual funds. The resulting receivables and payables are classified in the fund financial statements as *interfund receivables* and *interfund payables*. Any residual balances outstanding between governmental and business-type activities are reported in the government-wide financial statements as *internal balances*.

Capital Assets - Capital assets, which include land, buildings and equipment, are reported in the government-wide financial statements and the proprietary fund in the fund financial statements. Capital assets are defined as assets with an initial, individual cost of \$5,000 or more 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 the acquisition value on the date of donation. Interest incurred during construction is capitalized in the enterprise fund.

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 and the proprietary fund in the fund financial statements. Depreciation has been provided over the following estimated useful lives of the capital assets using the straight-line method.

Buildings	50 years
Building Improvements	15 years
Vehicles and Equipment	5 - 7 years

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

Unearned Revenues - Unearned revenues represent resources received by the School before it has a legal claim to them, including tuition and fees.

Long-Term Debt - In the government-wide financial statements and the proprietary funds in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Debt premiums, discounts, and accounting losses resulting from debt refundings are deferred and amortized over the life of the debt using the straight-line method. In the governmental fund financial statements, 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 are reported as other financing uses. Issuance costs, whether or not withheld from the debt proceeds, are reported as current expenses or expenditures.

BROMLEY EAST CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Pensions - The School participates in the School Division Trust Fund (SDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado (PERA). The 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 and deductions from the SDTF's fiduciary net position have been determined using the economic resources measurement focus and the accrual basis of accounting, the same basis of accounting used by the SDTF. 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.

Net Position/Fund Balance - In the government-wide and fund financial statements, net position and fund balance are restricted when constraints placed on the use of resources are externally imposed. The Board of Directors is authorized to establish a fund balance commitment through passage of a resolution, and may assign fund balances to a specific purpose through an informal action.

The School has not established a formal policy for its use of restricted and unrestricted fund balances. However, if both restricted and unrestricted fund balances are available for a specific purpose, the School uses restricted fund balance first, followed by committed, assigned and unassigned fund balances.

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 purchases commercial insurance for these risks of loss.

The School, in conjunction with Eagle Ridge Academy and Belle Creek Charter School, has established a self-insurance plan for employee health benefits. The School's premiums are determined at the beginning of each fiscal year and are deposited into a claims account throughout the year. The claims account is reported as cash with an offsetting liability in the General Fund. The School is not responsible for claims in excess of the premiums paid. The plan's fiscal year ends each July 31, and included individual stop loss insurance of \$65,000 and aggregate stop loss insurance of \$1,000,000 for the fiscal year ending July 31, 2016.

NOTE 2: CASH AND INVESTMENTS

At June 30, 2016, cash and investments consisted of the following:

Petty Cash	\$ 500
Deposits	1,496,181
Investments	<u>4,165,711</u>
Total	<u><u>\$ 5,662,392</u></u>

BROMLEY EAST CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
 June 30, 2016

NOTE 2: CASH AND INVESTMENTS (Continued)

Cash and investments are reported in the financial statements as follows:

Cash and Investments	\$ 2,665,577
Restricted Cash and Investments	2,966,237
Agency Fund Cash and Investments	<u>30,578</u>
Total	<u>\$ 5,662,392</u>

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires all local government entities to deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The 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 uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. At June 30, 2016, the School had bank deposits of \$1,011,482 collateralized with securities held by the financial institution's agent but not in the School's name.

Investments

The School is required to comply with State statutes which specify investment instruments meeting defined rating, maturity and concentration risk criteria in which local governments may invest, which include the following. State statutes do not address custodial risk.

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

At June 30, 2016, the School and CEC had the following investments:

Investment Type	S&P Rating	Investment Maturities (in Years)			Fair Value
		Less Than 1	1 - 5	5 - 10	
Uninvested Cash	NA	\$ 617,464	\$ -	\$ -	\$ 617,464
Local Government Investment Pools	AAA	2,977,211	-	-	2,977,211
U.S. Agency Securities	AA+	-	<u>160,373</u>	<u>410,663</u>	<u>571,036</u>
Total		<u>\$ 3,594,675</u>	<u>\$ 160,373</u>	<u>\$ 410,663</u>	<u>\$ 4,165,711</u>

BROMLEY EAST CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 2: CASH AND INVESTMENTS (Continued)

Investments (Continued)

Fair Value Measurements - The School reports its investments using the fair value measurements established by generally accepted accounting principles. As such, a fair value hierarchy categorizes the inputs used to measure the fair value of the investments into three levels. Level 1 inputs are quoted prices in active markets for identical investments; Level 2 inputs include quoted prices in active markets for similar investments or other observable inputs; and Level 3 inputs are unobservable inputs. At June 30, 2016, the School's investments in U.S. Agency securities were measured utilizing quoted prices in active markets for similar investments (Level 2 inputs). Investments in the external investment pools are reported at the net asset value per share, which is measured using amortized cost.

Interest Rate Risk - State statutes limit the maturity of investment securities to five years from the date of purchase, unless the governing board authorizes the investment for a period in excess of five years.

Credit Risk - State statutes limit most investments to those with certain ratings from nationally recognized statistical rating organizations, depending on the type of investment.

Concentration of Credit Risk - State statutes do not limit the amount the School may invest in a single issuer, except for corporate securities. At June 30, 2016, the School's investments in the Federal Farm Credit Bank represented 9% of total investments.

Local Government Investment Pool - At June 30, 2016, the School and CEC had \$9,528 and \$2,967,683 invested in the Colorado Local Government Liquid Asset Trust (Colotrust) and the Colorado Surplus Asset Fund Trust (CSAFE), respectively, investment vehicles established for local government entities in Colorado to pool surplus funds. The Colorado Division of Securities administers and enforces the requirements of creating and operating the pools. The pools operate in conformity with the Securities and Exchange Commission's Rule 2a-7, with each share valued at \$1. The pools are rated AAAM by Standard and Poor's. Investments of the pools are limited to those allowed by State statutes. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. The custodian's internal records identify the investments owned by the participating governments.

Restricted Cash and Investments

At June 30, 2016, CEC had investments of \$2,966,237 restricted for capital projects and future debt service.

NOTE 3: INTERFUND BALANCES AND TRANSACTIONS

At June 30, 2016, CEC owed \$58,207 to the School, representing capital costs paid by the School. CEC will repay the interfund loan using debt proceeds currently on hand.

During the year ended June 30, 2016, the General Fund subsidized the operations of the Food Service Fund with interfund transfers totaling \$96,732.

BROMLEY EAST CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
 June 30, 2016

NOTE 4: CAPITAL ASSETS

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

	<u>Balances</u> 6/30/15	<u>Additions</u>	<u>Deletions</u>	<u>Balances</u> 6/30/16
Governmental Activities				
Capital Assets, Not Being Depreciated				
Construction in Progress	\$ 2,448	\$ -	\$ -	\$ 2,448
Capital Assets, Being Depreciated				
Building Improvements	258,128	-	-	258,128
Vehicles and Equipment	287,258	-	-	287,258
Total Capital Assets, Being Depreciated	<u>545,386</u>	<u>-</u>	<u>-</u>	<u>545,386</u>
Less Accumulated Depreciation				
Building Improvements	(83,013)	(17,209)	-	(100,222)
Vehicles and Equipment	(188,418)	(26,933)	-	(215,351)
Total Accumulated Depreciation	<u>(271,431)</u>	<u>(44,142)</u>	<u>-</u>	<u>(315,573)</u>
Total Capital Assets, Being Depreciated, Net	<u>273,955</u>	<u>(44,142)</u>	<u>-</u>	<u>229,813</u>
Governmental Activities Capital Assets, Net	<u>\$ 276,403</u>	<u>\$ (44,142)</u>	<u>\$ -</u>	<u>\$ 232,261</u>
Business-Type Activities				
Capital Assets, Not Being Depreciated				
Land	\$ 144,120	\$ -	\$ -	\$ 144,120
Construction in Progress	530,727	9,176,298	-	9,707,025
Total Capital Assets, Not Being Depreciated	<u>674,847</u>	<u>9,176,298</u>	<u>-</u>	<u>9,851,145</u>
Capital Assets, Being Depreciated				
Buildings	9,375,323	-	-	9,375,323
Less Accumulated Depreciation	(2,468,835)	(187,506)	-	(2,656,341)
Total Capital Assets, Being Depreciated, Net	<u>6,906,488</u>	<u>(187,506)</u>	<u>-</u>	<u>6,718,982</u>
Business-Type Activities Capital Assets, Net	<u>\$ 7,581,335</u>	<u>\$ 8,988,792</u>	<u>\$ -</u>	<u>\$ 16,570,127</u>

Depreciation of the governmental activities was charged to the supporting services program of the School.

BROMLEY EAST CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
 June 30, 2016

NOTE 5: LONG-TERM DEBT

Following is a summary of the long-term debt transactions for the year ended June 30, 2016.

	Balances <u>6/30/15</u>	Additions	Payments	Balances <u>6/30/16</u>	Due Within <u>One Year</u>
Business-Type Activities					
2005 Building Loan	\$ 11,305,000	\$ -	\$ 11,305,000	\$ -	\$ -
Premium	499,426	-	499,426	-	-
2015 Building Loan	<u>-</u>	<u>19,155,000</u>	<u>-</u>	<u>19,155,000</u>	<u>449,750</u>
Total	<u>\$ 11,804,426</u>	<u>\$ 19,155,000</u>	<u>\$ 11,804,426</u>	<u>\$ 19,155,000</u>	<u>\$ 449,750</u>

In September, 2015, the Colorado Educational and Cultural Facilities Authority (CECFA) issued \$19,155,000 Charter School Refunding and Improvement Revenue Bonds, Series 2015. Bond proceeds were used to refund the Charter School Revenue Refunding Bonds, Series 2005, originally loaned to CEC to refund debt issued to construct the School's education facilities, and to provide additional cash of \$9,350,000 for expansion of the facilities. The School is obligated under a lease agreement to make monthly lease payments to CEC for using the facilities. CEC is required to make equal loan payments to the trustee, for payment of the bonds. Interest accrues at 3.4% per annum, and is paid monthly. Principal payments are due annually beginning September 1, 2016, with a balloon payment of \$14,045,300 due on September 1, 2025.

Proceeds of the Series 2015 Bonds and other resources of CEC, in the amount of \$10,919,148, were deposited with an escrow agent to refund \$10,905,000 of the Series 2005 Bonds on September 24, 2015. As a result, the refunded debt liability has been removed from the financial statements. The refunding resulted in the recognition of an accounting loss of \$1,359,914.

Future debt service requirements for the bonds are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 449,750	\$ 634,415	\$ 1,084,165
2018	516,650	622,804	1,139,454
2019	534,210	604,790	1,139,000
2020	552,380	586,164	1,138,544
2021	571,160	566,904	1,138,064
2022 - 2026	<u>16,530,850</u>	<u>2,180,967</u>	<u>18,711,817</u>
Total	<u>\$ 19,155,000</u>	<u>\$ 5,196,044</u>	<u>\$ 24,351,044</u>

NOTE 6: DEFINED BENEFIT PENSION PLAN

General Information

Plan Description - The School contributes to the School Division Trust Fund (SDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado (PERA). All employees of the School participate in the SDTF. Title 24, Article 51 of the Colorado Revised Statutes (CRS) assigns the authority to establish and amend plan provisions to the State Legislature. PERA issues a publicly available financial report that includes information on the SDTF. That report may be obtained at www.copera.org/investments/pera-financial-reports.

Benefits Provided - The SDTF provides retirement, disability, and survivor benefits to plan participants or their beneficiaries. Retirement benefits are determined by the amount of service credit earned or purchased, highest average salary, the benefit structure in place, the benefit option selected at retirement, and age at retirement. The retirement benefit is the greater of the a) highest average salary multiplied by 2.5% and then multiplied by years of service credit, or b) the value of the participant's contribution account plus an equal match on the retirement date, annualized into a monthly amount based on life expectancy and other actuarial factors. In no case can the benefit amount exceed the highest average salary or the amount allowed by applicable federal regulations.

Retirees who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments (COLAs) as established by State statutes. Retirees who began employment before January 1, 2007, receive an annual increase of 2%, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2% or the average consumer price index for the prior calendar year. Retirees that began employment after January 1, 2007, receive an annual increase of the lesser of 2% or the average consumer price index for the prior calendar year, with certain limitations.

Disability benefits are available for plan participants once they reach five years of earned service credit and meet the definition of a disability. The disability benefit amount is based on the retirement benefit formula described previously, considering a minimum of twenty years of service credit.

Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure in place, and the qualified survivor receiving the benefits.

Contributions - The School and eligible employees are required to contribute to the SDTF at rates established by Title 24, Article 51, Part 4 of the CRS. These contribution requirements are established and may be amended by the State Legislature. The contribution rate for employees is 8% of covered salaries. The School's contribution rate for calendar years 2015 and 2016 was 18.35% and 19.15% of covered salaries, respectively. However, a portion of the School's contribution (1.02% of covered salaries) is allocated to the Health Care Trust Fund (See Note 7). The School's contributions to the SDTF for the year ended June 30, 2016, were \$651,366, equal to the required contributions.

BROMLEY EAST CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
 June 30, 2016

NOTE 6: 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 net pension liability of \$11,536,855, representing its proportionate share of the net pension liability of the SDTF. The net pension liability was measured at 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. Changes in assumptions and other inputs since the prior measurement date did not significantly affect the total pension liability. 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 SDTF for the calendar year ended December 31, 2015, relative to the contributions of all participating employers. At December 31, 2015, the School's proportion was 0.0754324148%, which was an increase of 0.0023638593% from its proportion measured at December 31, 2014.

For the year ended June 30, 2016, the School recognized pension expense of \$1,230,869. 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>
Differences between expected and actual experience	\$ 152,345	\$ 466
Changes of assumptions and other inputs	-	163,036
Net difference between projected and actual earnings on plan investments	975,431	-
Changes in proportion	232,365	4,760
Contributions subsequent to the measurement date	<u>363,358</u>	<u>-</u>
Total	<u>\$ 1,723,499</u>	<u>\$ 168,262</u>

The School's contributions subsequent to the measurement date of \$363,358 will be recognized as a reduction of the net pension liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30,

2017	\$ 338,985
2018	339,908
2019	311,830
2020	<u>201,156</u>
Total	<u>\$ 1,191,879</u>

BROMLEY EAST CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)

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

Actuarial Assumptions - The actuarial valuation as of December 31, 2014, determined the total pension liability using the following actuarial assumptions and other inputs, applied to all periods included in the measurement:

Price inflation	2.8%
Real wage growth	1.1%
Wage inflation	3.9%
Salary increases, including wage inflation	3.9% - 10.1%
Long-term investment rate of return, net of plan investment expenses, including price inflation	7.5%
Future post-retirement benefit increases:	
Hired prior to 1/1/07	2%
Hired after 12/31/06	ad hoc

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

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 governing board on November 13, 2012, and an economic assumption study adopted by PERA's governing board on November 15, 2013, and January 17, 2014.

The long-term expected rate of return on 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.

The most recent analysis of the long-term expected rate of return was presented to the PERA governing board on November 15, 2013, and included the target allocation and best estimates of geometric real rates of return for each major asset class, as follows:

BROMLEY EAST CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>10 Year Expected Geometric Real Rate of Return</u>
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 Government/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	<u><u>100.00%</u></u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and the employer contributions will be made at the rates specified in State statutes, which currently require annual increases, to a total of 20.15% of covered salaries for the year ended December 31, 2018. When the actuarially determined funding ratio reaches 103%, the employer contribution rate will decrease .5% each year, to a minimum of 10.15%. Based on those assumptions, the SDTF's fiduciary net position was projected to be available to make all projected future benefit payments to current participants. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability. In addition, the discount rate did not change from the prior measurement date.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the School's proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as the School's proportionate share of the net pension liability if it were calculated using a discount that is one percentage point lower (6.5%) or one percentage point higher (8.5%) than the current rate, as follows:

	<u>1% Decrease (6.5%)</u>	<u>Current Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
Proportionate share of the net pension liability	<u>\$ 14,955,136</u>	<u>\$ 11,536,855</u>	<u>\$ 8,693,483</u>

Pension Plan Fiduciary Net Position - Detailed information about the SDTF's fiduciary net position is available in PERA's separately issued financial report, which may be obtained at www.copera.org/investments/pera-financial-reports.

NOTE 7: POSTEMPLOYMENT HEALTHCARE BENEFITS

Plan Description - The School contributes to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer postemployment healthcare plan administered by PERA. The HCTF provides a health care premium subsidy to PERA benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the CRS, as amended, assigns the authority to establish the HCTF benefit provisions to the State Legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for the HCTF. That report may be obtained as described previously.

Funding Policy - The School is required to contribute at a rate of 1.02% of covered salaries for all PERA participants. No employee contributions are required. The contribution requirements for the School are established under Title 24, Article 51, Part 4 of the CRS, as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208 of the CRS, as amended. The School's apportionment to the HCTF for the years ended June 30, 2016, 2015 and 2014 was \$35,418, \$32,292 and \$30,500, respectively, equal to the required amounts for each year.

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 revenues received from other governmental entities. Expenditures financed by these revenues are subject to audit by the appropriate government. If expenditures are disallowed due to noncompliance with program regulations, the School may be required to reimburse the other government. At June 30, 2016, significant amounts of related 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.

Special Education

The School is required by its charter contract with the District to establish a special education reserve equal to \$2,000 per special education pupil enrolled at the School. At June 30, 2016, this reserve, in the amount of \$94,000, was reported as restricted fund balance in the General Fund.

Tabor Amendment

In November 1992, Colorado voters passed the Tabor Amendment to the State Constitution which limits state and local government taxing powers and imposes spending limitations. The Amendment is subject to interpretation, but the School believes it is in substantial compliance with the Amendment. In accordance with the Amendment, the School has established a reserve for emergencies. At June 30, 2016, the reserve was reported as restricted fund balance in the General Fund, in the amount of \$223,000.

BROMLEY EAST CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
 June 30, 2016

NOTE 9: RESTATEMENTS

During the year ended June 30, 2016, the School corrected misstatements in previously issued financial statements related to pensions. In addition, CEC's activities were reclassified and are reported as an enterprise fund. Net position at June 30, 2015, was restated to reflect these corrections and reclassifications, as follows.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Net Position, June 30, 2015, as Originally Stated	\$ (8,102,346)	\$ -
CEC Reclassification	937,357	(937,357)
Deferred Outflows of Resources Related to Pensions	(372,821)	-
Deferred Inflows of Resources Related to Pensions	<u>(7,745)</u>	<u>-</u>
Net Position, June 30, 2015, as Restated	<u>\$ (7,545,555)</u>	<u>\$ (937,357)</u>

REQUIRED SUPPLEMENTARY INFORMATION

BROMLEY EAST CHARTER SCHOOL

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
AND CONTRIBUTIONS
PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO
SCHOOL DIVISION TRUST FUND

June 30, 2016

	<u>12/31/15</u>	<u>12/31/14</u>	<u>12/31/13</u>
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY			
School's Proportion of the Net Pension Liability	0.0754324148%	0.0730685555%	0.0731497685%
School's Proportionate Share of the Net Pension Liability	\$ 11,536,855	\$ 9,903,243	\$ 9,330,233
School's Covered-Employee Payroll	\$ 3,287,351	\$ 3,059,164	\$ 2,945,829
School's Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll	351%	324%	317%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	59%	63%	64%
	<u>6/30/16</u>	<u>6/30/15</u>	<u>6/30/14</u>
SCHOOL CONTRIBUTIONS			
Statutorily Required Contribution	\$ 615,948	\$ 534,466	\$ 477,775
Contributions in Relation to the Statutorily Required Contribution	<u>(615,948)</u>	<u>(534,466)</u>	<u>(477,775)</u>
Contribution Deficiency (Excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
School's Covered-Employee Payroll	\$ 3,472,324	\$ 3,165,904	\$ 2,990,236
Contributions as a Percentage of Covered-Employee Payroll	17.74%	16.88%	15.98%

This schedule is presented to show information for 10 years. Until information for the full 10-year period is available, information will be presented for the years it is available.

See the accompanying Independent Auditors' Report.

BROMLEY EAST CHARTER SCHOOL

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Year Ended June 30, 2016

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE Positive (Negative)</u>
REVENUES				
Local Sources				
Per Pupil Revenue	\$ 6,422,558	\$ 6,534,293	\$ 6,538,486	\$ 4,193
Mill Levy Override	37,129	37,129	42,313	5,184
Kindergarten Tuition	136,000	136,000	149,270	13,270
Contributions and Donations	22,400	22,400	4,354	(18,046)
Investment Income	22,500	22,500	32,814	10,314
Grants	1,450	1,450	939	(511)
Miscellaneous	3,275	40,659	50,528	9,869
State Sources				
Additional At-Risk Funding	-	-	2,516	2,516
Capital Construction	228,485	236,774	240,087	3,313
Grants	200,061	203,812	191,844	(11,968)
Federal Sources				
Grants	88,085	99,983	96,115	(3,868)
TOTAL REVENUES	<u>7,161,943</u>	<u>7,335,000</u>	<u>7,349,266</u>	<u>14,266</u>
EXPENDITURES				
Instruction				
Salaries	2,807,169	2,722,952	2,633,489	89,463
Benefits	974,122	1,017,258	924,500	92,758
Purchased Services	105,635	105,635	36,222	69,413
Supplies and Materials	155,283	174,341	157,104	17,237
Property	190,000	190,000	114,483	75,517
Total Instruction	<u>4,232,209</u>	<u>4,210,186</u>	<u>3,865,798</u>	<u>344,388</u>
Supporting Services				
Salaries	612,000	784,000	883,228	(99,228)
Benefits	235,155	269,899	325,305	(55,406)
Purchased Services	1,777,219	1,723,709	1,765,737	(42,028)
Supplies and Materials	89,416	89,416	89,919	(503)
Property	-	4,000	4,842	(842)
Other	37,800	39,000	40,840	(1,840)
Total Supporting Services	<u>2,751,590</u>	<u>2,910,024</u>	<u>3,109,871</u>	<u>(199,847)</u>
TOTAL EXPENDITURES	<u>6,983,799</u>	<u>7,120,210</u>	<u>6,975,669</u>	<u>144,541</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	178,144	214,790	373,597	158,807
OTHER FINANCING SOURCES (USES)				
Transfers Out	(112,398)	(110,750)	(96,732)	14,018
NET CHANGE IN FUND BALANCE	65,746	104,040	276,865	172,825
FUND BALANCE, Beginning	<u>1,519,905</u>	<u>1,570,045</u>	<u>1,570,045</u>	<u>-</u>
FUND BALANCE, Ending	<u>\$ 1,585,651</u>	<u>\$ 1,674,085</u>	<u>\$ 1,846,910</u>	<u>\$ 172,825</u>

See the accompanying Independent Auditors' Report.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2016

NOTE 1: SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND CONTRIBUTIONS

The Public Employees' Retirement Association of Colorado School Division Trust Fund's net pension liability and associated amounts are measured annually at December 31, based on an actuarial valuation as of the previous December 31. The School's contributions and related ratios represent cash contributions and any related accruals that coincide with the School's fiscal year ending on June 30.

Changes in Assumptions and Other Inputs

For the year ended June 30, 2016, the total pension liability was determined by an actuarial valuation as of December 31, 2014. The following programming and methodology changes were made since the prior actuarial valuation as of December 31, 2013.

- 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.
- 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.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

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

Management submits to the Board of Directors a proposed budget for the fiscal year commencing the following July 1, for their approval. The budget includes proposed expenditures and the means of financing them.

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

All budget appropriations lapse at fiscal year end.

SUPPLEMENTARY INFORMATION

BROMLEY EAST CHARTER SCHOOL

BUDGETARY COMPARISON SCHEDULE

FOOD SERVICE FUND

Year Ended June 30, 2016

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	VARIANCE Positive (Negative)
REVENUES				
Local Sources				
Charges for Services	\$ 185,000	\$ 190,000	\$ 190,518	\$ 518
State Sources				
Grants	2,750	2,750	4,408	1,658
Federal Sources				
Grants	<u>128,500</u>	<u>146,500</u>	<u>145,902</u>	<u>(598)</u>
TOTAL REVENUES	<u>316,250</u>	<u>339,250</u>	<u>340,828</u>	<u>1,578</u>
EXPENDITURES				
Salaries	116,674	125,000	126,429	(1,429)
Employee Benefits	59,968	68,167	61,314	6,853
Purchased Services	3,500	6,000	5,261	739
Supplies	243,306	249,399	244,556	4,843
Property	<u>5,200</u>	<u>1,434</u>	<u>-</u>	<u>1,434</u>
TOTAL EXPENDITURES	<u>428,648</u>	<u>450,000</u>	<u>437,560</u>	<u>12,440</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(112,398)	(110,750)	(96,732)	14,018
OTHER FINANCING SOURCES				
Transfers In	<u>112,398</u>	<u>110,750</u>	<u>96,732</u>	<u>(14,018)</u>
NET CHANGE IN FUND BALANCE	-	-	-	-
FUND BALANCE, Beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See the accompanying Independent Auditors' Report.

BROMLEY EAST CHARTER SCHOOL

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

AGENCY FUND

Year Ended June 30, 2016

	<u>BALANCE</u> 6/30/15	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE</u> 6/30/16
Student Activity Fund				
ASSETS				
Cash and Investments	\$ <u>30,878</u>	\$ <u>161,447</u>	\$ <u>161,747</u>	\$ <u>30,578</u>
TOTAL ASSETS	\$ <u><u>30,878</u></u>	\$ <u><u>161,447</u></u>	\$ <u><u>161,747</u></u>	\$ <u><u>30,578</u></u>
LIABILITIES				
Due to Student Groups	\$ <u>30,878</u>	\$ <u>161,447</u>	\$ <u>161,747</u>	\$ <u>30,578</u>
TOTAL LIABILITIES	\$ <u><u>30,878</u></u>	\$ <u><u>161,447</u></u>	\$ <u><u>161,747</u></u>	\$ <u><u>30,578</u></u>

See the accompanying Independent Auditors' Report.