

**SCHOOL DISTRICT 27J
CAPITAL FACILITY FEE
FOUNDATION**

**Financial Statements with
Accompanying Independent
Auditor's Report**

June 30, 2016 and 2015



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INDEPENDENT AUDITOR'S REPORT

Board of Directors
School District 27J Capital Facility Fee Foundation
Brighton, Colorado

We have audited the accompanying financial statements of School District 27J Capital Facility Fee Foundation (a nonprofit corporation), which comprise the statement of financial position as of June 30, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of School District 27J Capital Facility Fee Foundation as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Flewelling & Mitton, PC

September 15, 2016

SCHOOL DISTRICT 27J CAPITAL FACILITY FEE FOUNDATION

Statement of Financial Position

June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and cash equivalents	\$ 817,087	\$ 627,339
Accounts receivable, less allowance for doubtful accounts of \$0	<u>34,290</u>	<u>8,382</u>
Total Assets	<u>\$ 851,377</u>	<u>\$ 635,721</u>

	<u>2016</u>	<u>2015</u>
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 295	\$ 492
Temporarily restricted net assets	<u>851,082</u>	<u>635,229</u>
Total Liabilities and Net Assets	<u>\$ 851,377</u>	<u>\$ 635,721</u>

See accompanying *Notes to Financial Statements*

SCHOOL DISTRICT 27J CAPITAL FACILITY FEE FOUNDATION

Statement of Activities
For the Years ended June 30, 2016 and 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2016 Total</u>	<u>2015 Total</u>
Revenue and Support				
Developer fees	\$ —	\$ 340,647	\$ 340,647	\$ 318,618
Interest	1,942	—	1,942	906
In-kind donated services	34,392	—	34,392	54,324
Donations	—	—	—	320
Net assets released from restriction:				
Satisfaction of program restrictions	<u>124,794</u>	<u>(124,794)</u>	<u>—</u>	<u>—</u>
Total Revenue and Support	<u>161,128</u>	<u>215,853</u>	<u>376,981</u>	<u>374,168</u>
Expenses				
Program Services:				
School construction	<u>119,400</u>	<u>—</u>	<u>119,400</u>	<u>174,600</u>
Supporting Services:				
Management and general:				
Legal services	1,165	—	1,165	3,504
Other expenses	5,436	—	5,436	6,791
Administrative	<u>35,127</u>	<u>—</u>	<u>35,127</u>	<u>53,515</u>
Total Supporting Services	<u>41,728</u>	<u>—</u>	<u>41,728</u>	<u>63,810</u>
Total Expenses	<u>161,128</u>	<u>—</u>	<u>161,128</u>	<u>238,410</u>
Increase (Decrease) in Net Assets	—	215,853	215,853	135,758
Net Assets at Beginning of Year	<u>—</u>	<u>635,229</u>	<u>635,229</u>	<u>499,471</u>
Net Assets at End of Year	<u>\$ —</u>	<u>\$ 851,082</u>	<u>\$ 851,082</u>	<u>\$ 635,229</u>

See accompanying *Notes to Financial Statements*

DISTRICT 27J CAPITAL FACILITY FEE FOUNDATION

Statement of Cash Flows For the Years ended June 30, 2016 and 2015

	2016	2015
Cash Flows from Operating Activities		
Cash received from developers	\$ 394,131	\$ 317,076
Cash received from donors	—	320
Cash payments to suppliers	(161,325)	(183,594)
Interest income	1,942	906
Net Cash Provided by Operating Activities	189,748	134,708
 Net Increase in Cash and Cash Equivalents	 189,748	 134,708
Cash and Cash Equivalents at Beginning of Year	627,339	492,631
Cash and Cash Equivalents at End of Year	\$ 817,087	\$ 627,339
 Increase in Net Assets	 \$ 215,853	 \$ 135,758
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(25,908)	(1,542)
Increase (decrease) in accounts payable	(197)	492
 Net Cash Provided (Used by) Operating Activities	 \$ 189,748	 \$ 134,708

See accompanying *Notes to Financial Statements*

**SCHOOL DISTRICT 27J
CAPITAL FACILITY FEE FOUNDATION**

**Notes to Financial Statements
June 30, 2016 and 2015**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Purpose

The School District 27J Capital Fee Foundation (the Foundation) was established during fiscal year 2001. The Foundation is a non-profit organization under Internal Revenue Code Section 501(c)(3), whose purpose is to promote and assist in the development, financing and acquisition of educational facilities and expansion in School District 27J, located in Brighton, Colorado (the School District).

Basis of Accounting

The financial statements are prepared on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded as earned and expenses are recorded at the time liabilities are incurred.

Cash and Cash Equivalents

The Foundation considers all unrestricted, highly liquid investments with an initial maturity of three months or less to be cash and cash equivalents.

Financial Statement Presentation

The Foundation has adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC 958), *Not for Profit Entities*. ASC 958 requires that unconditional promises to give (pledges) be recorded as receivables and revenues and requires the Foundation to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions. ASC 958 establishes standards for external financial reporting for not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into three net asset categories, according to externally (donor) imposed restrictions. The three net asset classes are as follows:

Unrestricted net assets: Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets: Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Foundation and/or the passage of time. Once the stipulation is met, the assets are released from restriction and the expenditures are recorded in unrestricted net assets.

Permanently restricted net assets: Net assets that are subject to donor-imposed stipulations that they be maintained permanently by the Foundation.

Summarized Prior-Year Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2015, from which the summarized information was derived.

**SCHOOL DISTRICT 27J
CAPITAL FACILITY FEE FOUNDATION**

**Notes to Financial Statements
June 30, 2016 and 2015**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In-Kind Donated Services

The Foundation does not have any employees. The Foundation receives donated services from School District 27J for accounting services and salaries for the School District's employees that manage the Foundation's activities. For the fiscal year ended June 30, 2016 and 2015, the Foundation estimated \$34,392 and \$53,515 respectively, for the value of these services. These amounts are included in the financial statements as in-kind donations revenue and administrative expenses. In addition, the Foundation received donated audit services for the fiscal year ended June 30, 2016 and 2015 of \$0 and \$809 respectively, included in other expenses.

Estimates

The preparation of financial statements in conformity with accepted accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual amounts could differ from those estimates.

Revenue Recognition

Contributions are recorded as revenue when the contribution or an unconditional promise of a contribution is made. In addition, contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence or nature of any donor restrictions. Restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time and purpose restrictions. Conditional promises to give are not recognized as support and revenue until the condition is satisfied.

The Developer Fees are considered temporarily restricted contributions since the developers are not receiving any substantial benefit from the Foundation in return.

Income Taxes

Under the provisions of the Internal Revenue Code Section 501(c)(3), the Foundation is exempt from federal income tax on earnings from operations or activities related to its status as a non-profit organization. As of June 30, 2016, the IRS has not proposed any adjustments that would result in a material change to the Foundation's financial position. The Foundation is no longer subject to examination by Federal and Colorado taxing authorities for years before 2012.

Accounts Receivable

Grants receivable are stated at the amount management expects to collect from outstanding balances. Management accounts for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Changes in valuation allowance have not been material to the financial statements.

**SCHOOL DISTRICT 27J
CAPITAL FACILITY FEE FOUNDATION**

**Notes to Financial Statements
June 30, 2016 and 2015**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value of Financial Instruments

The Foundation discloses fair value information about financial instruments when it is practicable to estimate that value. The carrying value of the Foundation's cash, accounts receivable and accounts payable approximate their estimated fair values due to their short-term maturities.

NOTE 2: CONCENTRATION OF CREDIT RISK

The Foundation maintains cash accounts in three separate banks. The cash accounts are insured by the Federal Deposit Insurance Corporation, and the National Credit Union Share Insurance Fund for the credit union accounts, up to an aggregated amount of \$250,000. The Foundation has not experienced any loss on such accounts. As of June 30, 2016 and 2015, the uninsured balance was \$0. The Foundation believes it is not exposed to any significant credit risk on its cash balances.

NOTE 3: RELATED PARTIES

The Foundation's sole exempt purpose is to accumulate funds received from developers to be used by School District 27J for development, financing, acquisition and expansion of the educational facilities within the School District and at the School District's request. The Foundation's board consists of elected officials from three municipalities, one county, three developer representatives and three members of the School District's Board of Education.

NOTE 4: FAIR VALUE MEASUREMENTS

In determining fair value, the Foundation uses various valuation approaches within the FASB ASC 820 fair value measurements framework. Fair value measurements are determined based on the assumption that market participants would use in pricing an asset or liability. FASB ASC 820 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. FASB ASC 820 defines levels within the hierarchy based on the reliability of inputs as follows:

Level 1: Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2: Valuations based on quoted prices for similar assets or liabilities or identical assets or liabilities in less active markets, such as dealer or broker markets.

**SCHOOL DISTRICT 27J
CAPITAL FACILITY FEE FOUNDATION**

**Notes to Financial Statements
June 30, 2016 and 2015**

NOTE 4: FAIR VALUE MEASUREMENTS (continued)

Level 3: Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models and similar techniques not based on market, exchange, dealer or broker-traded transactions.

The following table presents assets and liabilities measured at fair value by classification within the fair value hierarchy as of June 30, 2016 and 2015:

<u>Fair Value Measurements at Reporting Date Using</u>				
<u>June 30, 2016</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 798,623	\$ —	\$ —	\$ 798,623
Total	<u>\$ 798,623</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 798,623</u>
<u>June 30, 2015</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 602,656	\$ —	\$ —	\$ 602,656
Total	<u>\$ 602,656</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 602,656</u>

The Foundation’s cash and cash equivalents include money market funds which are measured using Level 1 inputs utilizing quoted market prices.

NOTE 5: DEVELOPER FEES

All developers who are constructing residential units within the School District’s boundaries may sign a Participant Agreement, whereby the developer voluntarily remits a Capital Facility fee to the Foundation. A developer or builder may also voluntarily contribute fees to the Foundation without benefit of a Participant Agreement. The developer fee is designed to mitigate any shortfall between projected capital facility needs of the School District and the School District’s bonding capacity.

The Foundation develops a fee schedule detailing the fee to be remitted for each residential unit constructed within the boundaries of the School District. The fee schedule is reviewed and the developer fee can be adjusted biannually using the prescribed methodology. However, the fee may not be increased by more than the cumulative percentage increase in the “Engineering News Record Index” during the period of adoption of the most recent fee schedule to the adoption of a fee change.

The adopted methodology will be used to calculate the biannual adjustment to the Capital Facility fees no later than September 30, 2016, to be effective no earlier than January 1, 2017.

**SCHOOL DISTRICT 27J
CAPITAL FACILITY FEE FOUNDATION**

**Notes to Financial Statements
June 30, 2016 and 2015**

NOTE 5: DEVELOPER FEES (continued)

At the September 12, 2014 Board of Directors meeting, the following fee schedule was approved with implementation on January 1, 2015:

\$762 per unit for all single-family attached and detached units
\$435 per unit for all other types of residential units

Total developer fees revenue during the years ended June 30, 2016 and 2015 was \$340,647 and \$318,618, respectively.

NOTE 6: COMMITMENTS AND CONTINGENCIES

Any distribution of funds raised through developer fees are subject to availability of funds. The Foundation cannot guarantee that funds collected in the future will be sufficient to meet any approved distribution schedule. Further, no transfer shall be made that would cause the balance of funds on deposit in Foundation accounts to fall below \$100,000, the "Minimum Balance Requirement." In such event, the Foundation may defer the transfer request until such time as the Foundation has sufficient funds to make the transfer and comply with the Minimum Balance Requirement. Alternatively, the Foundation may require the School District to reduce the transfer request to a level in accordance with the Minimum Balance Requirement, or to withdraw the transfer request and submit it at a later time. A delay or deferral of any given transfer request will not reduce the Foundation's overall commitment to fund the full amount of the Draw Request. The Foundation shall have no liability to the School District in the event insufficient funds are available beyond the Minimum Balance Requirement to fund the full draw amount of the Draw Request.

NOTE 7: CONCENTRATIONS OF FUNDING SOURCE

The Foundation recognized the following significant sources of revenue from developers during the fiscal years ending June 30, 2016 and 2015:

	June 30, 2016		June 30, 2015	
	Amount	% of Total Revenues	Amount	% of Total Revenues
D.R. Horton	\$ 79,281	21.0%	\$ 102,420	27.4%
Richmond American Homes	44,196	11.7%	—	— %
Brighton Crossing Residential	29,718	7.9%	37,436	10.0%
Meritage Homes of Colorado	37,338	9.9%	77,778	20.8%
Shea Homes	48,006	12.7%	50,834	13.6%
Lennar Family	67,818	18.0%	31,242	8.3%

NOTE 8: SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 15, 2016, which was the date the financial statements were available to be issued. There were no significant subsequent events noted.