

WESTGATE COMMUNITY SCHOOL

FINANCIAL STATEMENTS

June 30, 2016



**RECEIVED**

*By Justin L. Smith at 8:47 am, Dec 13, 2016*



**Logan and Associates, LLC**  
CERTIFIED PUBLIC ACCOUNTANTS

## TABLE OF CONTENTS

Independent Auditors' Report	a - b
<b>Basic Financial Statements</b>	
Management's Discussion and Analysis	i - v
Statement of Net Position	1
Statement of Activities	2
Balance Sheet - Governmental Funds	3
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	4
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	5
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	6
Statement of Net Position – Proprietary Fund Type – Building Corporation	7
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Fund Type – Building Corporation	8
Statement of Cash Flows – Proprietary Fund Type – Building Corporation	9
Notes to Financial Statements	10 - 27
<b>Required Supplementary Information</b>	
Budgetary Comparison Schedule - General Fund	28
Schedule of Proportionate Share of the Net Pension Liability	29
Schedule of School Contributions	30
Notes to Required Supplementary Information	31



## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Westgate Community School  
Thornton, Colorado

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Westgate Community School (the "School"), a component unit of Adams County School District No. 12, 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 Westgate Community School.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the School'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 School'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 reasonable 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, each major fund and the aggregate remaining fund information of the Westgate Community School as of June 30, 2016, and the respective changes in financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

*Other Matters*

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion on pages i - v, and budgetary comparison schedule, schedule of proportionate share of the net pension liability and the schedule of school contributions on pages 28 - 31, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Logan and Associates, LLC*

Aurora, Colorado  
September 12, 2016

# **Westgate Community School**

## Management's Discussion and Analysis

Fiscal Year Ending June 30, 2016

As management of Westgate Community School (Westgate), we offer readers of Westgate's basic financial statements this narrative and analysis of the financial activities of Westgate for the year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with additional information provided by auditors in the accompanying financial statements.

### **Financial Highlights**

The year ending June 30, 2016 is the seventh year of operations for Westgate. The general fund balance increased from \$151,657 to \$484,173.

The operations of Westgate are funded primarily by tax revenue received under the State School Finance Act (the Act). Tax revenue for the year from Per Pupil Revenue was approximately \$3,106,120.

### **Overview of Financial Statements**

This discussion and analysis are intended to serve as an introduction to Westgate's basic financial statements. The basic 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***

Government-wide financial statements are prepared to provide interested parties with a broad overview of the school's financial reporting in similar format to a private-sector business. The statement of net position presents information related to assets and liabilities and remaining assessment of financial value (net position). With historical data, increases and decreases in net position may serve as a useful indicator of whether the financial position of the school is improving or deteriorating.

The statement of activities, or income statement, presents information showing how the school's net position changed during the year. Changes to net position are reported at the primary occurrence regardless of the timing of cash flows. Thus, revenues and expenses are reported in the statement that will only result in cash flows in future periods (for example, salaries and benefits earned but unpaid as of fiscal year end).

#### ***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. Westgate keeps track of these monies to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements, except that the focus of the governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources.

Westgate adopts an annual budget for the general fund. A budgetary comparison has been provided for the general fund to demonstrate compliance with the budget as part of the required supplementary information included in the audited financial statements.

The Westgate Building Corp is considered a component unit of Westgate Community School and is reported as an internal service fund. Information is presented in the statement of net position, statement of revenues, expenses and changes in net position, and the statement of cash flows.

**Notes to Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

**Government-Wide Financial Analysis**

As noted previously, net position may serve over time as a useful indicator of Westgate’s financial position. For the year ending June 30, 2016, Westgate’s net position was \$(4,252,704). Approximately \$109,000 of these funds are restricted to comply with Article X, Section 20 of the Colorado Constitution, known as the TABOR Amendment, and \$50,000 of these funds are restricted for reserves required by the Adams 12 Five Star School District for a Special Education Lawsuit Reserve. Accordingly, these funds are not available to satisfy general operating expenses of Westgate.

<b>Statement of Net Position</b>		<b>2016</b>	<b>2015</b>
<b>Assets</b>			
	Cash	\$605,412	\$259,276
	Restricted Cash and Investments	1,070,629	732,011
	Accounts Receivable	2,964	2,649
	Prepaid Expenditures	1,944	4,495
	Capital Assets, Not Depreciated	2,834,000	2,834,000
	Capital Assets, Depreciated, Net	<u>4,713,313</u>	<u>4,809,739</u>
<b>Total Assets</b>		<u>9,228,262</u>	<u>8,642,170</u>
<b>Deferred Outflows of Resources</b>			
	Deferred outflows of resources related to Pensions	<u>1,121,201</u>	<u>1,057,114</u>
<b>Liabilities</b>			
	Accounts Payable	127,309	12,060
	Accrued Liabilities		4,448
	Accrued Salaries and Benefits	109,205	96,680
	Unearned Revenues		1,575
	Accrued Interest	33,304	243,512
<b>Non-Current Liabilities</b>			
	Due In One Year	207,767	130,000
	Due In More than One Year	8,882,072	8,340,000
	Net Pension Liability	<u>4,706,685</u>	<u>4,817,695</u>
<b>Total Liabilities</b>		<u>14,066,342</u>	<u>13,645,970</u>
<b>Deferred Inflows of Resources</b>			
	Deferred inflows of resources related to Pensions	<u>535,825</u>	<u>360</u>
<b>Net Position</b>			
	Invested In Capital Assets, Net	(1,542,526)	(826,261)
	Restricted For Emergencies	109,000	89,000
	Restricted By the District	50,000	36,000
	Debt Service	1,037,325	488,499
	Unrestricted	<u>(3,906,503)</u>	<u>(3,734,284)</u>
<b>Total Net Position</b>		<u>(4,252,704)</u>	<u>(3,947,046)</u>

<i>Changes In Net Position</i>		<i>2016</i>	<i>2015</i>
<b>Revenues</b>			
	Per Pupil Operating Revenue	3,106,120	2,579,632
	Charges For Services	321,609	334,067
	Other Revenue	55,710	15,261
	Grants and Donations	98,009	63,671
	Capital Grants	112,340	89,171
<b>Total Revenue</b>		<u>3,693,788</u>	<u>3,081,802</u>
<b>Expenses</b>			
	Instructional	1,890,320	1,717,642
	Support	1,641,469	1,217,061
	Interest on Long Term Debt	<u>467,657</u>	<u>487,275</u>
<b>Total Expenses</b>		<u>3,999,446</u>	<u>3,421,978</u>
<b>Increase (Decrease) In Net Position</b>		(305,658)	(340,176)
<b>Net Position, Beginning of Year</b>	As restated for 2014	(3,947,046)	(3,606,870)
<b>Net Position, End of Year</b>		<u>(4,252,704)</u>	<u>(3,947,046)</u>

## Fund Financial Analysis

### Governmental Funds

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

*Income-* The total income for the period ending June 30, 2016 was \$3,693,788. Per pupil funding from the State accounts for the majority of this income. Other sources of funds include charges for instructional fees, lunches, and the before and after school program as well as tuition for the full day kindergarten program. Westgate also received \$112,340 in Capital Construction Grant funds from the State. The remaining revenue is from categorical funding and fundraising activities.

*Expenditures:* Total expenditures for the period ending June 30, 2016 were \$3,360,397. Included in these expenditures are \$613,362 of lease payments to the Building Corporation. Salaries and benefits for the year totaled \$1,900,603, or 57% of our expenditures for the year.

*Net Income:* The net income in the General Fund for the period ending June 30, 2016 was \$332,516. As of the end of the current fiscal year, Westgate's governmental funds reported a combined ending fund balance of \$484,173 of which \$109,000 is reserved for emergencies under TABOR and \$50,000 is reserved for Special Education per the contract with Adams 12.

## **Internal Service Fund (Building Corp)**

*Income*-The total income for the period ending June 30, 2016 was \$614,237. This income is derived from rent payments from the school General Fund in accordance with the lease agreement and investment income.

*Expenditures*- Total expenses for the period ending June 30, 2016 were \$897,584. The interest expense for the year was \$467,657. Depreciation expense was \$101,967 for the year. The cost of the purchased services for the year was \$327,960. The building corporation received a delinquent tax notice related to the purchase of the building in 2012. A liability of \$110,367. related to the taxes was recorded in FY2016. The Building Corporation also incurred issuance costs related to the refinance of the Series 2012 bonds totaling \$217,593.

*Net Income*- As of June 30, 2016, Westgate's Building Corp recorded a change in net position of \$(283,347) providing for an ending net position of \$(626,736). The net position should become positive as the annual depreciation expense becomes less than the annual payment of principal on the bonds.

## **General Fund Budgetary Highlights**

Westgate budgeted for expenditures and transfers of \$3,669,557 for the year ended June 30, 2016. Actual expenditures and transfers were \$3,360,397. There was one budget amendment made during the year. The budget revision was adopted on January 26, 2016 and primarily adjusted revenue and expenses for changes in estimated enrollment, reflected actual revenues for grant funding and included revenues and related expenditures for fee based student activities (outdoor education, high school service learning trips, etc).

## **Capital Asset- General Fund**

*Capital Assets*-Westgate's investment in capital assets as of June 30, 2016, amounts to \$11,168 (net of accumulated depreciation). This investment in capital assets includes vehicles and removable improvements to the school. Details of Westgate's capital assets are in Note 4 to the Financial Statements.

## **Capital Asset and Debt Administration-Internal Service Fund**

*Capital Assets*-Westgate's Building Corp's investment in capital assets as of June 30, 2016 amounts to \$7,536,145, net of accumulated depreciation. These assets represent the building and improvements to the facility. Of this, the Building Corp has non-depreciable assets of \$2,834,000 in land acquisition costs. Accumulated depreciation on these assets is \$402,203. Details of Westgate's capital assets are in Note 4 to the Financial Statements.

*Long Term Debt*- As of June 30, 2016, the Building Corp had outstanding debt of \$9,089,839. Details of Westgate's long term debt can be found in Note 5 to the Financial Statements.

*Refinance-* During fiscal year 2016, Westgate and the Building Corporation refinanced the existing long term debt. The Series 2012 Bonds were paid in full and refinanced with a new bond structure. The new structure consists of 30% taxable and 70% tax-exempt bonds. The taxable bonds were used to finance the currently vacant north building, while the tax-exempt bonds finance the school and land. The taxable portion of the financing gives the Building Corporation much greater flexibility in leasing the vacant space in the future. The Building Corporation also borrowed an additional \$535,000 to make improvements to the school as well as to the vacant space. These funds have been used to complete the build-out of the high school space, install two additional staff restrooms, add an air-handler to the building to bring in fresh air, and to replace the carpet in the music room and hallway.

### **Economic Factors and Next Year's Budget**

The primary factors driving the budget for Westgate are student enrollment and projected state funding. Enrollment for the 2015-2016 school year was 431.5 FTE. Kindergarten students are funded at .58 FTE. These factors were considered in preparing Westgate's budget for 2015-2016. The 2016 projected PPR numbers came from recommendations from our authorizer, Adams 12. These projections were in line with state projections.

Westgate expects enrollment for the 2016-2017 school year to be 481 students (454 FTE).

On July 13, 2012 Westgate purchased a permanent facility, located at 12500 N Washington St, Thornton, CO. This property consists of two buildings totaling over 136,000 sq. ft. and is located on 20+ acres of land. Westgate will occupy approximately ½ of the space and hopes to lease the additional space to nonprofits in the area.

In 2016, Westgate received two grants from the Adams County Open Spaces Board. In the Fall 2015 cycle, Westgate was awarded \$58,300 to complete the design and construction documents for the vacant land. In the Spring 2016 cycle, Westgate received an additional \$435,711 in construction funds to build Phase I of the Westgate Environmental Education Campus. The Education Campus is made up of play areas, outdoor classrooms and gather spaces, a community plaza, measured walking trails, a greenhouse and chicken coop. Phase I of the project is being funded through the Adams County Open Spaces Grant, GOCO School Play-yard Grant, Colorado Garden Foundation Grant, and Westgate Matching funds.

### **Requests for Information**

The financial report is designed to provide a general overview of Westgate's finances for all those with an interest in Westgate. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Westgate Community School  
12500 N Washington St  
Thornton, CO 80241

## **BASIC FINANCIAL STATEMENTS**

WESTGATE COMMUNITY SCHOOL

STATEMENT OF NET POSITION

June 30, 2016

	<u>GOVERNMENTAL ACTIVITIES</u>
<b>ASSETS</b>	
Cash and Investments	\$ 605,412
Restricted Cash and Investments	1,070,629
Accounts Receivable	2,964
Prepaid Expenses	1,944
Capital Assets, Not Depreciated	2,834,000
Capital Assets, Net of Accumulated Depreciation	<u>4,713,313</u>
 TOTAL ASSETS	 <u>9,228,262</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred Outflows of Resources Related to Pensions	<u>1,121,201</u>
<b>LIABILITIES</b>	
Accounts Payable	127,309
Accrued Salaries and Benefits	109,205
Accrued Interest Payable	33,304
Noncurrent Liabilities	
Due Within One Year	207,767
Due in More Than One Year	8,882,072
Net Pension Liability	<u>4,706,685</u>
 TOTAL LIABILITIES	 <u>14,066,342</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred Inflows of Resources Related to Pensions	<u>535,825</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	(1,542,526)
Restricted for	
Emergencies	109,000
Special Education	50,000
Debt Service	1,037,325
Unrestricted	<u>(3,906,503)</u>
 TOTAL NET POSITION	 <u>\$ (4,252,704)</u>

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

WESTGATE COMMUNITY SCHOOL

STATEMENT OF ACTIVITIES

Year Ended June 30, 2016

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE)
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	REVENUE AND CHANGE IN NET POSITION
PRIMARY GOVERNMENT					
<b>Governmental Activities</b>					
Instruction	\$ 1,890,320	\$ 300,135	\$ 98,009	\$ -	\$ (1,492,176)
Supporting Services	1,641,469	21,474	-	112,340	(1,507,655)
Interest on Long-Term Debt	467,657	-	-	-	(467,657)
Total Governmental Activities	<u>\$ 3,999,446</u>	<u>\$ 321,609</u>	<u>\$ 98,009</u>	<u>\$ 112,340</u>	<u>(3,467,488)</u>
			GENERAL REVENUES		
			Per Pupil Revenue		3,106,120
			Contributions not Restricted to Specific Programs		34,368
			Investment Income		875
			Other		20,467
			TOTAL GENERAL REVENUES		<u>3,161,830</u>
			CHANGE IN NET POSITION		(305,658)
			NET POSITION, Beginning		<u>(3,947,046)</u>
			NET POSITION, Ending		<u>\$ (4,252,704)</u>

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

WESTGATE COMMUNITY SCHOOL

BALANCE SHEET  
GOVERNMENTAL FUND  
 June 30, 2016

	<u>GENERAL FUND</u>
ASSETS	
Cash and Investments	\$ 605,412
Accounts Receivable	2,964
Prepaid Expenses	<u>1,944</u>
TOTAL ASSETS	<u>\$ 610,320</u>
LIABILITIES AND FUND BALANCES	
LIABILITIES	
Accounts Payable	\$ 16,942
Accrued Salaries and Benefits	<u>109,205</u>
TOTAL LIABILITIES	<u>126,147</u>
FUND BALANCES	
Nonspendable	1,944
Restricted for:	
Emergencies	109,000
Special Education	50,000
Unassigned	<u>323,229</u>
TOTAL FUND BALANCES	<u>484,173</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 610,320</u>

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

WESTGATE COMMUNITY SCHOOL

RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET POSITION

June 30, 2016

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

Total Fund Balances of Governmental Funds	\$ 484,173
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund.	11,168
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:	
Deferred outflows of resources - difference in projected vs actual investment earnings	411,355
Deferred outflows of resources - difference in expected vs actual experience	62,152
Deferred outflows of resources - change in proportionate share of net pension liability	523,909
Deferred outflows of resources - pension contributions from the measurement date	123,785
Deferred inflows of resources - difference in expected vs actual experience	(227)
Deferred inflows of resources - change in assumptions or other inputs	(66,513)
Deferred inflows of resources - change in proportionate share of net pension liability	(469,085)
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds. This is the amount of the net pension liability.	(4,706,685)
An internal service fund is used by management to charge the lease costs to governmental funds. These assets and liabilities of the internal service fund are included in the governmental activities in the statement of net position.	<u>(626,736)</u>
Total Net Position of Governmental Activities	<u>\$ (4,252,704)</u>

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

WESTGATE COMMUNITY SCHOOL

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

	<u>GENERAL FUND</u>
REVENUES	
Local Sources	\$ 3,580,573
State Sources	<u>112,340</u>
TOTAL REVENUES	<u>3,692,913</u>
EXPENDITURES	
Current	
Instruction	1,612,837
Supporting Services	<u>1,747,560</u>
TOTAL EXPENDITURES	<u>3,360,397</u>
NET CHANGE IN FUND BALANCES	332,516
FUND BALANCES, Beginning	<u>151,657</u>
FUND BALANCES, Ending	<u><u>\$ 484,173</u></u>

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

WESTGATE COMMUNITY SCHOOL

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

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

Net Change in Fund Balances of Governmental Funds	\$	332,516
Capital outlays to purchase or build capital assets are reported in the governmental fund as expenditures. However, for governmental activities those costs are capitalized in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount that capital outlay \$8,000 exceeded depreciation expense (\$2,459) in the current year.		5,541
In the statement of activities, certain operating expenses, pension expense, are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used or due (the amounts actually paid). This amount represents the net effect of pension related amounts, including amortization of deferred outflows and deferred inflows of resources related to pensions, in the statement of activities		(360,368)
The internal service fund is used by management to charge the cost of lease payments to the governmental fund. The net revenue (expense) of the internal service fund is reported with the governmental activities		<u>(283,347)</u>
Change in Net Position of Governmental Activities	\$	<u><u>(305,658)</u></u>

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

# WESTGATE COMMUNITY SCHOOL

## STATEMENT OF NET POSITION PROPRIETARY FUND TYPE BUILDING CORPORATION June 30, 2016

	<u>Governmental                      Activities                      Internal Service                      Fund</u>
<b>ASSETS</b>	
Current Assets	
Restricted Cash and Investments	\$ 1,070,629
Total Current Assets	<u>1,070,629</u>
Noncurrent Assets	
Capital Assets, Not Being Depreciated	2,834,000
Capital Assets, Net of Accumulated Depreciation	<u>4,702,145</u>
Total Noncurrent Assets	<u>7,536,145</u>
TOTAL ASSETS	<u>8,606,774</u>
<b>LIABILITIES</b>	
Current Liabilities	
Accounts Payable	110,367
Accrued Interest Payable	33,304
Building Lease Payable - Current Portion	<u>207,767</u>
Total Current Liabilities	<u>351,438</u>
Noncurrent Liabilities	
Building Lease Payable	<u>8,882,072</u>
TOTAL LIABILITIES	<u>9,233,510</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	(1,553,694)
Restricted for Debt Service	<u>926,958</u>
TOTAL NET POSITION	<u>\$ (626,736)</u>

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

# WESTGATE COMMUNITY SCHOOL

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

### PROPRIETARY FUND TYPE

### BUILDING CORPORATION

Year Ended June 30, 2016

	<u>Governmental Activities Internal Service Fund</u>
OPERATING REVENUES	
Building Rent	\$ 613,362
Investment Income	875
TOTAL OPERATING REVENUES	<u>614,237</u>
OPERATING EXPENSES	
Purchased Services	327,960
Depreciation	<u>101,967</u>
TOTAL OPERATING EXPENSES	<u>429,927</u>
OPERATING INCOME	184,310
NON-OPERATING EXPENSES	
Interest Expense and Fiscal Charges	<u>(467,657)</u>
CHANGE IN NET POSITION	(283,347)
NET POSITION, Beginning	<u>(343,389)</u>
NET POSITION, Ending	<u>\$ (626,736)</u>

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

# WESTGATE COMMUNITY SCHOOL

## STATEMENT OF CASH FLOWS PROPRIETARY FUND TYPE BUILDING CORPORATION

Increase (Decrease) in Cash and Cash Equivalents  
 Year Ended June 30, 2016

	Governmental Activities <u>Internal Service Fund</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash Received from Rental Operations	\$ 613,362
Investment Income	875
Cash Payments for Purchased Services	<u>(217,593)</u>
Net Cash Provided by Operating Activities	<u>396,644</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Lease Proceeds	9,089,839
Lease Payoff	(8,340,000)
Principal Paid on Lease	(130,000)
Interest Paid on Lease	<u>(677,865)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(58,026)</u>
Increase in Cash and Cash Equivalents	338,618
CASH AND CASH EQUIVALENTS, Beginning	<u>732,011</u>
CASH AND CASH EQUIVALENTS, Ending	<u><u>\$ 1,070,629</u></u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Operating Income	\$ 184,310
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation	101,967
Changes in Assets and Liabilities Accounts Payable	<u>110,367</u>
Net Cash Provided by Operating Activities	<u><u>\$ 396,644</u></u>

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

WESTGATE COMMUNITY SCHOOL

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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

The Westgate Community School (the "School") was formed in 2009 pursuant to the Colorado Charter Schools Act to form and operate a charter school within Adams County School District No. 12 (the "District"). The School is governed by a six-member Board of Directors.

The accounting policies of the School conform to generally accepted accounting principles 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 more significant policies.

**Reporting Entity**

The definition of the reporting entity is based primarily on financial accountability. The School is financially accountable for organizations that make up its legal entity. It is also financially accountable for legally separate organizations if School officials appoint a voting majority of the organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the School. The School may also be financially accountable for organizations that are fiscally dependent upon it.

Based on the application of this criteria, the School will include the following organization in its reporting entity.

Westgate Community School Building Corporation

The purpose of the Westgate Community School Building Corporation (the "Building Corporation") is to provide a mechanism to issue and pay debt on behalf of the School. The Building Corporation is considered to be part of the School for financial reporting purposes because its resources are entirely for the direct benefit of the School and is blended into the School's financial statements as an internal service fund. As part of its ongoing responsibilities, the Building Corporation provides the School with monthly financial statements. Separate financial statements are not available.

The School is a component unit of Adams County School District No. 12.

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. *Governmental activities*, which normally are supported by intergovernmental revenues, are reported in a single column.

WESTGATE COMMUNITY SCHOOL

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Government-Wide and Fund Financial Statements**

The statement of net position reports all financial, capital and debt resources of the School. The difference between the assets plus deferred outflows of resources and liabilities and deferred inflows of resources of the School is reported as net position.

The statement of activities demonstrates the degree to which the direct expenses of the given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to students or others who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Unrestricted intergovernmental revenues not properly included among program revenues are reported instead as general revenues.

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

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current year.

Intergovernmental revenues, grants, and interest associated with the current year are all 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.

WESTGATE COMMUNITY 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**

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

In the fund financial statements, the School reports the following major governmental fund:

*General Fund* is the School's primary operating fund that accounts for all financial resources of the School, except those required to be accounted for in another fund.

Additionally, the School reports the following fund type:

*Internal Service Fund* is used to account for the activity of the Building Corporation.

**Assets, Liabilities and Net Position/Fund Balances**

*Cash and Investments* – Cash equivalents include investments with original maturities of three months or less. Investments are stated at fair value.

*Prepaid expenses* – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses.

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

*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 to ten months. The salaries and benefits earned, but unpaid, are reported as a liability in the General Fund.

WESTGATE COMMUNITY SCHOOL

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Assets, Liabilities and Net Position/Fund Balances** (Continued)

*Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement classification represents a consumption of net position that applies to a future period(s) and therefore will not be recognized as an outflow of resources (expense/expenditures) until then. The School has items related to pensions that is reported as deferred outflows of resources at June 30, 2016.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement classification represents an acquisition of net position that applies to a future period(s) and therefore will not be recognized as an inflow of resources (revenue) until then. The Schools has an item related to pensions that is reported as deferred inflows of resources at June 30, 2016.

*Net Position* – In the government-wide and proprietary fund type financial statements, net position is restricted when constraints placed on the net position are externally imposed.

- Net Investment in Capital Assets – this classification is intended to report the portion of net position which is associated with non-liquid, capital assets less outstanding debt related to those capital assets.
- Restricted Net Position – this classification includes liquid assets which have third party limitations on their use.
- Unrestricted Net Position – this classification includes assets that do not have any third party limitation on their use.

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

- Nonspendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form (such as prepaid items) or (b) are legally or contractually required to be maintained intact. The School had nonspendable resources in the form of prepaid expenses at June 30, 2016.

WESTGATE COMMUNITY SCHOOL

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Assets, Liabilities and Net Position/Fund Balances** (Continued)

- Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The School has classified emergency reserves as being restricted because its use is restricted by State statute for declared emergencies. The School has also classified a special education reserve as restricted as required by the charter school agreement, and debt service reserve as required by the building lease.
- Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the School’s highest level of decision-making authority, the Board of Directors. The constraint may be removed or changed only through formal action of the Board of Directors. The School did not have any committed resources at June 30, 2016.
- Assigned – This classification includes amounts that are constrained by the School’s intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or changed than those imposed on committed amounts. The School did not have any assigned fund balance at June 30, 2016.
- Unassigned – This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

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

*Compensated Absences* – The School’s policy allows employees to accumulate paid time off (PTO) up to a maximum of 10 days. Unused PTO is paid out before the end of the year at a rate of \$75 per day. Therefore, no unused PTO liability is reported at June 30, 2016.

WESTGATE COMMUNITY SCHOOL

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

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

**Pensions**

The School participates in the School Division Trust Fund (SCHDTF), a cost-sharing multiple-employer defined benefit pension fund administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the SCHDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**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 and for directors' and officers' liability.

**Subsequent Events**

The School has evaluated events subsequent to the year ended June 30, 2016 through September 12, 2016, the date these financial statements were issued, and has incorporated any required recognition into these financial statements.

**NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Accountability**

The Governmental Activities and the Internal Service Fund - Building Corporation has deficit net position of \$4,252,704 and \$626,736, respectively, at June 30, 2016. The Governmental Activities deficit is primarily related to the net pension liability added to the School's financial statements as required by the GASB. Management does not expect this deficit net position to decrease in the future because the GASB accounting standard does not require the School to fund the net pension liability. The Internal Service Fund - Building Corporation deficit is primarily from the debt issuance costs and accrued interest expense related to the bonds issued to purchase and improve land and building. Management expects this deficit balance to be eliminated as the debt is paid.

WESTGATE COMMUNITY SCHOOL

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

**NOTE 3: CASH AND INVESTMENTS**

At June 30, 2016, the School had the following cash and investments.

Cash and Investments	\$ 605,412
Restricted Cash and Investments	<u>1,070,629</u>
Total	<u>\$ 1,676,041</u>

**Deposits**

The Colorado Public Deposit Protection Act (PDPA) requires that all local government entities deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of Federal Deposit Insurance Corporation (FDIC) levels must be collateralized by eligible collateral as determined by the PDPA. The FDIC insures depositors up to \$250,000 for each financial institution. 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 cash deposits with a carrying amount of \$605,412. The bank balances with the financial institutions were \$657,098, of which \$250,000 was insured by the FDIC and \$407,098 was collateralized with securities held by the financial institutions' agents 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. The School has no policy for managing credit risk or interest rate 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

*Interest Rate Risk* - State statutes generally limit investments to an original maturity of five years unless the governing board authorizes the investment for a period in excess of five years.

WESTGATE COMMUNITY SCHOOL

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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

**Investments (Continued)**

*Local Government Investment Pool* - At June 30, 2016, the School had \$1,070,629 invested in the Colorado Local Government Liquid Asset Trust Plus (Colotrust Plus). Colotrust Plus is an investment vehicle established by State statutes for local government entities in Colorado to pool surplus funds. The Colorado Division of Securities administers and enforces the requirements of creating and operating Colotrust Plus. Colotrust Plus operates in conformity with the Securities and Exchange Commission's Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended. Colotrust Plus+ is rated AAAM by Standard and Poor's. Investments of Colotrust Plus 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**

Restricted cash and investments consist of amounts restricted in the Building Corporation for bond reserves, bond principal and interest payments, and a project construction account.

**NOTE 4: CAPITAL ASSETS**

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

	Balances 6/30/2015	Additions	Deletions	Balances 6/30/2016
<b>Governmental Activities:</b>				
Capital Assets, not being depreciated				
Land	\$ 2,834,000	\$ -	\$ -	\$ 2,834,000
Capital Assets, being depreciated				
Buildings and Improvements	5,104,348	-	-	5,104,348
Equipment	9,379	8,000	-	17,379
Total Capital Assets, being depreciated	<u>5,113,727</u>	<u>8,000</u>	<u>-</u>	<u>5,121,727</u>
Less accumulated depreciation				
Buildings and Improvements	(300,236)	(101,967)	-	(402,203)
Furniture and Equipment	(3,752)	(2,459)	-	(6,211)
Total accumulated depreciation	<u>(303,988)</u>	<u>(104,426)</u>	<u>-</u>	<u>(408,414)</u>
Total Capital Assets, being depreciated, net	<u>4,809,739</u>	<u>(96,426)</u>	<u>-</u>	<u>4,713,313</u>
Governmental Activities Capital Assets, net	<u><u>\$ 7,643,739</u></u>	<u><u>\$ (96,426)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 7,547,313</u></u>

WESTGATE COMMUNITY SCHOOL

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

**NOTE 4: CAPITAL ASSETS (Continued)**

Depreciation expense has been charged to the Supporting Services program of the School.

**NOTE 5: LONG-TERM DEBT**

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

	Balance 6/30/2015	Additions	Deletions	Balance 6/30/2016	Due Within One Year
Building Lease - 2012	\$ 8,470,000	\$ -	\$ 8,470,000	\$ -	\$ -
Building Lease - 2016	-	9,089,839	-	9,089,839	207,767
<b>Totals</b>	<b>\$ 8,470,000</b>	<b>\$ 9,089,839</b>	<b>\$ 8,470,000</b>	<b>\$ 9,089,839</b>	<b>\$ 207,767</b>

**Building Lease**

In July 2012, the Colorado Educational and Cultural Facilities Authority (CECFA) issued the \$8,600,000 Charter School Revenue Bonds, Series 2012 to purchase and renovate the School's land and building, fund the debt service reserve, fund the accrued interest account, and pay certain issuance costs. The Series consists of two parts, Series 2012 A for \$8,530,000 maturing in July 2017 and Taxable Series 2012 B for \$70,000 that matured in July 2014.

On May 1, 2016, the Public Finance Authority issued \$6,362,887 Charter School Refunding and Improvement Revenue Bonds (Westgate Community School Project) Series 2016A, and \$2,726,952 Charter School Refunding and Improvement Revenue Bonds (Westgate Community School Project) Series 2016B (Taxable). These bonds were issued to refund the Charter School Revenue Bonds, Series 2012, fund the debt services reserve, accrued interest account, pay certain issuance costs and fund the project account. Both Series mature on May 2, 2026. Interest on the Series 2016A and Series 2016B (Taxable) accrues at 3.896% and 5.565% per annum, respectively. The Bonds may be called at various dates beginning May 3, 2016 through May 20, 2021 at rates ranging from 105% to 101% and 100% after May 3, 2021.

The School is obligated to make monthly lease payments to the Building Corporation for use of the building. The Building Corporation is required to make equal loan payments to the Trustee, for payment of the bonds.

WESTGATE COMMUNITY SCHOOL

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

**NOTE 5: LONG-TERM DEBT (Continued)**

**Building Lease (Continued)**

**Future Debt Service Requirements**

Annual debt service requirements at June 30, 2016, were as follows.

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 207,767	\$ 398,157	\$ 605,924
2018	216,743	389,114	605,857
2019	226,119	379,670	605,789
2020	235,911	369,805	605,716
2021	246,138	359,500	605,638
2022-2026	7,957,161	1,577,824	9,534,985
	<u>\$ 9,089,839</u>	<u>\$ 3,474,070</u>	<u>\$ 12,563,909</u>

**NOTE 6: DEFINED BENEFIT PENSION PLAN**

**Plan Description.** Eligible employees of the School are provided with pensions through the School Division Trust Fund (SCHDTF)—a cost-sharing multiple-employer defined benefit pension plan administered by PERA. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (C.R.S.), administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

**Benefits Provided.** PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

WESTGATE COMMUNITY SCHOOL

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

**NOTE 6: DEFINED BENEFIT PENSION PLAN** (Continued)

The lifetime retirement benefit for all eligible retiring employees under the PERA Benefit Structure is the greater of the:

- Highest average salary multiplied by 2.5% and then multiplied by years of service credit.
- The value of the retiring employee's member contribution account plus a 100% match on eligible amounts as of the retirement date. This amount is then annuitized into a monthly benefit based on life expectancy and other actuarial factors.

In all cases the service retirement benefit is limited to 100% of highest average salary and also cannot exceed the maximum benefit allowed by federal Internal Revenue Code.

Members may elect to withdraw their member contribution accounts upon termination of employment with all PERA employers; waiving rights to any lifetime retirement benefits earned. If eligible, the member may receive a match of either 50% or 100% on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether 5 years of service credit has been obtained and the benefit structure under which contributions were made.

Benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments (COLAs), referred to as annual increases in the C.R.S. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 and all benefit recipients of the DPS benefit structure receive an annual increase of 2%, 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 of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 receive an annual increase of the lesser of 2% or the average CPI-W for the prior calendar year, not to exceed 10% of PERA's Annual Increase Reserve for the SCHDTF.

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

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

WESTGATE COMMUNITY SCHOOL

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

**NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)**

**Contributions.** Eligible employees and the School are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. § 24-51-401, *et seq.* Eligible employees are required to contribute 8 percent of their PERA-includable salary. The employer contribution requirements are summarized in the table below:

	For the Year Ended December 31, 2014	For the Year Ended December 31, 2015
	(1)	(1)
Employer Contribution Rate	10.15%	10.15%
Amount of Employer Contribution apportioned to the Health Care Trust Fund as specified in C.R.S. 24-51-208(1)(f)	-1.02%	-1.02%
Amount Apportioned to the SCHDTF	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. 24-51-1411	4.20%	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. 24-51-1411	4.00%	4.50%
Total Employer Contribution Rate to the SCHDTF	<u>17.33%</u>	<u>18.13%</u>

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

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the School were \$247,496 for the year ended June 30, 2016.

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

At June 30, 2016 the School reported a liability of \$4,706,685 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. Standard update procedures were used to roll forward the total pension liability to December 31, 2015. The School's proportion of the net pension liability was based on School contributions to the SCHDTF for the calendar year 2015 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2015, the School's proportion was .03077%, which was a decrease of .00478% from its proportion measured as of December 31, 2014. For the year ended June 30, 2016, the School recognized pension expense of \$607,864.

WESTGATE COMMUNITY SCHOOL

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

**NOTE 6: DEFINED BENEFIT PENSION PLAN** (Continued)

At June 30, 2016, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 62,152	\$ (227)
Changes in assumptions or other inputs	-	(66,513)
Net difference between projected and actual earnings on pension plan investments	411,355	-
Changes in proportionate share of net pension liability	523,909	(469,085)
Contributions subsequent to the measurement date	<u>123,785</u>	<u>-</u>
Total	<u>\$ 1,121,201</u>	<u>\$ (535,825)</u>

\$123,785 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year Ended June 30,**

2017	\$ 238,476
2018	146,062
2019	(5,014)
2020	82,067

**Actuarial Assumptions.** The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Price inflation:	2.80%
Real wage growth:	1.10%
Wage inflation:	3.90%
Salary increases, including wage inflation:	3.90% – 10.10%
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation:	7.50%
Future post-retirement benefit increases:	
PERA Benefit Structure hired prior to 1/1/07:	2.00%
PERA Benefit Structure hired after 12/31/06 (ad hoc, substantively automatic):	Financed by the Annual Increase Reserve

WESTGATE COMMUNITY SCHOOL

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

**NOTE 6: DEFINED BENEFIT PENSION PLAN** (Continued)

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with Males set back 1 year, and Females set back 2 years.

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2008 through December 31, 2011, adopted by PERA's Board on November 13, 2012, and an economic assumption study, adopted by PERA's Board on November 15, 2013 and January 17, 2014.

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

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

The SCHDTF's long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

WESTGATE COMMUNITY SCHOOL

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

**NOTE 6: DEFINED BENEFIT PENSION PLAN** (Continued)

As of the most recent analysis of the long-term expected rate of return, presented to the PERA Board on November 15, 2013, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

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

\* In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.50%.

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

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.90%.
- Employee contributions were assumed to be made at the current contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law, including current and estimated future AED and SAED, until the Actuarial Value Funding Ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan

WESTGATE COMMUNITY SCHOOL

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

**NOTE 6: DEFINED BENEFIT PENSION PLAN** (Continued)

members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.

- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the plan's fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan's fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

Based on the above actuarial cost method and assumptions, the SCHDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the Municipal Bond Index Rate. There was no change in the discount rate from the prior measurement date.

**Sensitivity of the School Proportionate Share of the Net Pension Liability to Changes in the Discount Rate.** The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

WESTGATE COMMUNITY SCHOOL

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

**NOTE 6: DEFINED BENEFIT PENSION PLAN** (Continued)

	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
Net Pension Liability	<u>\$ 6,101,239</u>	<u>\$ 4,706,685</u>	<u>\$ 3,546,676</u>

**Pension Plan Fiduciary Net Position.** Detailed information about the SCHDTF's fiduciary net position is available in PERA's comprehensive annual financial report which can be obtained at [www.copera.org/investments/pera-financial-reports](http://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 health care plan administered by PERA. The HCTF benefit provides a health care premium subsidy and health care programs (known as PERACare) to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the C.R.S., as amended, establishes the HCTF and sets forth a framework that grants authority to the PERA Board to contract, self-insure and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of health care subsidies. PERA issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the HCTF. That report can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

**Funding Policy** The School is required to contribute at a rate of 1.02% of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the School are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208 of the C.R.S., as amended. For the years ending June 30, 2014, 2015 and 2016, the School's contributions to the HCTF were \$14,070, \$13,930 and \$14,245, respectively, equal to their required contributions for each year.

WESTGATE COMMUNITY SCHOOL

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

**NOTE 8: COMMITMENTS AND CONTINGENCIES**

**Claims and Judgments**

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

**Tabor Amendment**

In November, 1992, Colorado voters passed an amendment to the State Constitution, Article X, Section 20 (the "Tabor Amendment"), which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local government.

Fiscal year 1993 provided the basis for limits in future years to which may be applied allowable increases for inflation and student enrollment. Revenue received in excess of the limitations may be required to be refunded. The Tabor Amendment is complex and subject to judicial interpretation. The School believes it has complied with the Amendment.

The School has established an emergency reserve, representing 3% of qualifying expenditures, as required by the Amendment. At June 30, 2016, the emergency reserve of \$109,000 was reported as a restriction of net position and fund balance in the Governmental Activities and General Fund, respectively.

**REQUIRED SUPPLEMENTARY INFORMATION**

WESTGATE COMMUNITY SCHOOL

GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
Year Ended June 30, 2016

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
<b>REVENUES</b>				
Local Sources				
Per Pupil Revenue	\$ 2,842,466	\$ 3,071,387	\$ 3,106,120	\$ 34,733
Tuition and Fees	191,250	281,790	300,135	18,345
Grants	62,200	72,387	98,009	25,622
Contributions	59,000	172,300	34,368	(137,932)
Other	14,000	14,000	41,941	27,941
Total Local Sources	<u>3,168,916</u>	<u>3,611,864</u>	<u>3,580,573</u>	<u>(31,291)</u>
State Sources				
Capital Construction	<u>82,875</u>	<u>109,877</u>	<u>112,340</u>	<u>2,463</u>
<b>TOTAL REVENUES</b>	<u>3,251,791</u>	<u>3,721,741</u>	<u>3,692,913</u>	<u>(28,828)</u>
<b>EXPENDITURES</b>				
Instruction				
Salaries and Benefits	1,507,335	1,348,665	1,298,970	49,695
Purchased Services	146,165	206,479	219,997	(13,518)
Supplies and Materials	40,163	61,484	81,669	(20,185)
Property	17,850	23,948	12,201	11,747
Total Instruction	<u>1,711,513</u>	<u>1,640,576</u>	<u>1,612,837</u>	<u>27,739</u>
Supporting Services				
School Administration				
Salaries	447,997	637,116	601,633	35,483
Purchased Services	916,753	992,072	944,925	47,147
Supplies and Materials	133,000	174,422	132,564	41,858
Property	-	222,300	65,277	157,023
Other	27,842	3,071	3,161	(90)
Total Supporting Services	<u>1,525,592</u>	<u>2,028,981</u>	<u>1,747,560</u>	<u>281,421</u>
<b>TOTAL EXPENDITURES</b>	<u>3,237,105</u>	<u>3,669,557</u>	<u>3,360,397</u>	<u>309,160</u>
<b>NET CHANGE IN FUND BALANCE</b>	14,686	52,184	332,516	280,332
FUND BALANCE, Beginning	<u>125,000</u>	<u>151,657</u>	<u>151,657</u>	<u>26,657</u>
FUND BALANCE, Ending	<u>\$ 139,686</u>	<u>\$ 203,841</u>	<u>\$ 484,173</u>	<u>\$ 306,989</u>

See the accompanying Independent Auditor's Report.

WESTGATE COMMUNITY SCHOOL

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
 PERA School Division Trust Fund Pension Plan  
 Last Ten Years\*

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Proportion of the Net Pension Liability (Asset)	0.03077%	0.03556%	0.02661%
Proportionate Share of the Net Pension Liability (Asset)	\$ 4,706,685	\$ 4,817,695	\$ 3,393,629
Covered Employee Payroll	\$ 1,335,054	\$ 1,432,893	\$ 1,326,940
Proportionate Share of Net Pension Liability as a Percentage of its Covered Employee Payroll	352.55%	336.22%	255.75%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	59.16%	62.84%	64.07%
Total Pension Liability	\$ 37,447,062,000	\$ 36,473,966,000	\$ 35,494,976,000
Plan Fiduciary Net Position	<u>22,152,768,000</u>	<u>22,920,607,000</u>	<u>22,740,003,000</u>
Net Pension Liability	<u>\$ 15,294,294,000</u>	<u>\$ 13,553,359,000</u>	<u>\$ 12,754,973,000</u>

\* - The amounts presented for each fiscal year were determined as of 12/31.

NOTE: Information for the prior seven years was not available to report.

See the accompanying Independent Auditor's Report.

WESTGATE COMMUNITY SCHOOL

SCHEDULE OF SCHOOL CONTRIBUTIONS  
 PERA School Division Trust Fund Pension Plan  
 Last Ten Fiscal Years

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$ 247,496	\$ 229,980	\$ 220,445	\$ 179,275
Contributions in Relation to the Contractually Required Contribution	<u>247,496</u>	<u>229,980</u>	<u>220,445</u>	<u>179,275</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 1,395,917	\$ 1,362,417	\$ 1,379,509	\$ 1,188,828
Contributions as a Percentage of Covered Employee Payroll	17.73%	16.88%	15.98%	15.08%

NOTE: Information for the prior six years was not available to report.

See the accompanying Independent Auditor's Report.

WESTGATE COMMUNITY SCHOOL

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2016

**NOTE 1: BUDGETARY INFORMATION**

**Budgets and Budgetary Accounting**

A budget is legally adopted for the General Fund of the School on a basis consistent with generally accepted accounting principles (GAAP).

The School follows these procedures in establishing the budgetary data reflected in the financial statements:

- In April, School management submits to the Board of Directors a proposed budget for the fiscal year commencing the following July 1<sup>st</sup>. The budget includes proposed expenditures and the means of financing them.
- Prior to June 30<sup>th</sup>, the budget is adopted by the Board of Directors.
- Expenditures may not exceed appropriations at the fund level.
- Revisions that alter the total expenditures of any fund must be approved by the Board of Directors.
- All appropriations lapse at year end.