

CESAR CHAVEZ ACADEMY DENVER
Denver, Colorado

FINANCIAL STATEMENTS

June 30, 2016



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CESAR CHAVEZ ACADEMY DENVER
Denver, Colorado

ROSTER OF SCHOOL OFFICIALS

June 30, 2016

BOARD OF DIRECTORS

Adam Quintana, President

Taña Quintana-Price, Vice-President

Marlene Chavez, Secretary

Aileen Karamaroudis, Treasurer

Dea Lavoie

SCHOOL ADMINISTRATION

Mary Ann Mahoney, Interim Principal

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Board of Directors
Cesar Chavez Academy Denver
Denver, Colorado

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Cesar Chavez Academy Denver, component unit of Denver School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Cesar Chavez Academy Denver, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

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

Other Matters (Required Supplementary Information)

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



September 14, 2016

Cesar Chavez Academy Denver

Management's Discussion and Analysis

Fiscal Year Ending June 30, 2016

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

Financial Highlights

The year ended June 30, 2016 was the seventh year of operations for CCAD. The general fund balance for fiscal year ending June 30, 2016 is \$1,561,819, an increase of \$177,535 from June 30, 2015.

The operations of CCAD 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 \$2,807,975 down \$507,821 from \$3,315,796 in FY15.

CCA Denver Building Corporation completed the purchase of the building in which it operates in July 2013. They financed the facility with two bonds (one taxable, one non-taxable) for a total of \$6,450,000 at interest rates ranging from 6% to 7.75%. For FY16 the cost was \$513,225 in interest and principal. In FY17 the overall debt service requirement decreases slightly to \$512,606. Interest is paid semi-annually and principal payments are due annually on July 1st.

Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to CCAD'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

The government-wide financial statements are designed to provide readers with a broad overview of CCAD's finances in a manner similar to a private-sector business.

The statement of net position presents information on all CCAD's assets and liabilities, and deferred inflows and outflows, with the difference being reported as net position. Over time, the increases or decreases in net position may serve as a useful indicator of whether the financial position of CCAD is improving or deteriorating. The statement of activities presents information showing how CCAD's net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and

expenses are reported in the statement for some items that will only result in cash flows in future periods (for example, salaries and benefits earned but unpaid as of year-end).

The government-wide statement of activities distinguishes functions/programs of CCAD that are primarily supported by the per-pupil operating revenue passed from Denver RE-1. These activities include instruction and supporting services expense.

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. CCAD 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.

Notes to Financial Statements

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

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on the near-term financing requirements.

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

The Cesar Chavez Academy Denver maintains one governmental fund, and adopts an annual appropriated budget for the governmental fund. A budgetary comparison statement has been provided to demonstrate compliance with the budget.

Proprietary Fund

The Cesar Chavez Academy Denver maintains one individual enterprise fund, the CCA Denver Building Corporation. It is considered a component unit of CCAD and is presented separately in the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and Statement of Cash Flows for Proprietary Funds. The CCA Denver Building Corporation is not required to adopt an annual appropriated budget and does not.

Government-wide Financial Analysis

As noted previously, the net position may serve over time as a useful indicator of CCAD's financial position. For the year ended June 30, 2016, CCAD's combined net position was a negative \$511,903 due to the net pension liability in the amount of \$1,955,044, representing its proportionate share of the Denver Public Schools Division Trust Fund (DPSD) pension liability, administered by the Public Employees' Retirement Association of Colorado (PERA).

Of CCAD's net position, negative \$1,063,723 is invested in capital assets net of related debt, negative \$373,777 is unrestricted, and \$108,000 is restricted to comply with Article X, Section 20 of the Colorado Constitution, known as the TABOR Amendment. \$817,597 is restricted for paying future debt service.

PPR and Mill Levy revenue decreased due to a decrease in students served at CCAD (from 440.60 funded pupils in FY15 to 366 funded pupils in FY16); however, Capital Construction funding increased based on an increase in per pupil funding (from \$169.29 in FY15 to \$258.49 in FY16). CCAD targets low income students, and with the gentrification of the Highlands community, saw a decline in student population. To mitigate the impact, CCAD significantly cut costs, and combined positions. Moving forward CCAD is examining the need for any modifications of mission.

Net Position	2015-2016			2014-2015
	Governmental Activities	Business-Type Activities	Total	Total
Assets				
Cash	\$ 1,586,371	\$ -	\$ 1,586,371	\$ 1,298,436
Restricted Cash and Investments	-	1,037,853	1,037,853	985,461
Accounts Receivable	-	-	-	6,776
Grants Receivable	26,126	-	26,126	25,103
Prepaid Expenses	-	-	-	1,527
TABOR held by Denver School District	-	-	-	101,361
Capital Assets, Not Being Depreciated	-	1,750,000	1,750,000	1,750,000
Capital Assets, Net of Accumulated Depreciation	41,277	3,525,000	3,566,277	3,667,939
Total Assets	1,653,774	6,312,853	7,966,627	7,836,603
Deferred Outflows of Resources				
Pensions, Net of Accumulated Amortization	557,293	-	557,293	130,978
Liabilities				
Accounts Payable	12,734	-	12,734	11,026
Accrued Liabilities	37,944	-	37,944	37,893
Accrued Interest Payable	-	220,256	220,256	222,969
Noncurrent Liabilities				
Due Within One Year	-	75,000	75,000	70,000
Due in More Than One Year	-	6,305,000	6,305,000	6,380,000
Net Pension Liability	1,955,044	-	1,955,044	1,693,947
Total Liabilities	2,005,722	6,600,256	8,605,978	8,415,835
Deferred Inflows of Resources				
Pensions, Net of Accumulated Amortization	429,845	-	429,845	74,929
Net Position				
Net Investment in Capital Assets	41,277	(1,105,000)	(1,063,723)	(1,032,061)
Restricted for Debt Service		817,597	817,597	762,492
Restricted for Emergencies	108,000	-	108,000	123,000
Unrestricted	(373,777)	-	(373,777)	(376,614)
Total Net Position	\$ (224,500)	\$ (287,403)	\$ (511,903)	\$ (523,183)

Change in Net Position	2015-2016			2014-2015
	Governmental Activities	Business-Type Activities	Total	Total
Revenues				
Per Pupil Revenue	\$ 2,807,975	\$ -	\$ 2,807,975	\$ 3,315,796
Additional At-Risk Funding	4,090		4,090	
Mill Levy Override	377,924	-	377,924	405,314
Charges for Services	101,074	-	101,074	93,902
Grants and Contributions	411,950	-	411,950	441,203
Capital Construction Funding	94,608	-	94,608	74,590
Investment Earnings	122	105	227	230
Other	629	-	629	364
Total Revenue	3,798,372	105	3,798,477	4,331,399
Transfers	(565,512)	565,512	-	-
Expenses				
Instruction	1,978,810	-	1,978,810	1,840,583
Support Services	1,292,875	-	1,292,875	1,646,347
Building Corporation	-	515,512	515,512	520,938
Total Expenses	3,271,685	515,512	3,787,197	4,007,868
Increase (decrease) in net position	(38,825)	50,105	11,280	323,531
Net Position, Beginning	(185,675)	(337,508)	(523,183)	(846,714)
Net Position, Ending	\$ (224,500)	\$ (287,403)	\$ (511,903)	\$ (523,183)

CCAD has adopted GASB 68

CCAD's beginning Net Position is a negative \$523,183 due to the net pension liability of \$1,693,947, representing its proportionate share of DPSD's pension liability.

Financial Analysis of CCAD's Funds

Governmental funds

The focus of Cesar Chavez Academy Denver's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing CCAD's financing requirements. In particular, unrestricted fund balance may serve as a useful measure of CCAD's net resources available to spend at the end of the fiscal year.

As of the end of the current fiscal year CCAD's general fund reported an ending fund balance of \$1,561,819, an increase of \$177,535 from FY15.

General Fund Budgetary Highlights

CCAD budgeted for General Fund revenues of \$3,752,134 and expenditures of \$3,825,328 for the year ended June 30, 2016. Actual revenues were \$3,798,372 and actual expenditures were \$3,570,837.

There were budget amendments during the year, which reflected a decrease of revenues and expenditures as the result of lower-than-expected enrollment.

Capital Asset and Debt Administration

Capital assets

CCAD's investment in capital assets as of June 30, 2016, amounts to \$41,277 in the governmental activities and the CCA Denver Building Corporation's investment in capital assets amounts to \$5,275,000 in the proprietary fund. This investment in capital assets consists of equipment in the governmental activities and land and building in the proprietary fund. The CCA Denver Building Corporation purchased their facility on July 3, 2013 for \$5,500,000 which included land valued at \$1,750,000 and a facility valued at \$3,750,000. The facility is being depreciated using straight line depreciation over 50 years at \$75,000 per year. The detail of this investment is in Note 4 to the financial statements.

Long-term debt

Long-Term liabilities and related items include a net pension liability of \$1,955,044, deferred outflows of resources \$557,293 and deferred inflows of resources \$429,845, which are not due and payable in the current year and are not reported in governmental funds.

As of June 30, 2016 the CCA Denver Building Corporation had long term debt for their new building. The Corporation bought its building July 3, 2013 as indicated above. The total debt for the building is \$6,450,000 purchased with bonds through the Colorado Educational and Cultural Facilities Authority. The CCA Denver Building Corporation paid \$443,225 in interest and \$70,000 in principal in FY16. In the next fiscal year \$437,606 in interest and \$75,000 in principal is due.

Economic Factors and Next Year's Budget

The primary factor driving the budget for CCAD is student enrollment. Enrollment for the 2015-2016 school year was 336. The enrollment projected for the 2016-2017 school year is expected to be 313.72. (as of September 9, 2016 CCAD had 400 FTE.) This factor was considered in preparing CCAD's budget for 2016-2017.

Requests for Information

This financial report is designed to provide a general overview of Cesar Chavez Academy Denver's finances for all those with an interest in the School's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the school:

Cesar Chavez Academy Denver
3752 Tennyson St.
Denver, CO 80212

BASIC FINANCIAL STATEMENTS

CESAR CHAVEZ ACADEMY DENVER

STATEMENT OF NET POSITION

June 30, 2016

	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTAL</u>
ASSETS			
Cash	\$ 1,586,371	\$ -	\$ 1,586,371
Restricted Cash and Investments	-	1,037,853	1,037,853
Grants Receivable	26,126	-	26,126
Capital Assets, Not Being Depreciated	-	1,750,000	1,750,000
Capital Assets, Net of Accumulated Depreciation	<u>41,277</u>	<u>3,525,000</u>	<u>3,566,277</u>
TOTAL ASSETS	<u>1,653,774</u>	<u>6,312,853</u>	<u>7,966,627</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pensions, Net of Accumulated Amortization	<u>557,293</u>	<u>-</u>	<u>557,293</u>
LIABILITIES			
Accounts Payable	12,734	-	12,734
Accrued Liabilities	37,944	-	37,944
Accrued Interest Payable	-	220,256	220,256
Noncurrent Liabilities			
Due Within One Year	-	75,000	75,000
Due in More Than One Year	-	6,305,000	6,305,000
Net Pension Liability	<u>1,955,044</u>	<u>-</u>	<u>1,955,044</u>
TOTAL LIABILITIES	<u>2,005,722</u>	<u>6,600,256</u>	<u>8,605,978</u>
DEFERRED INFLOWS OF RESOURCES			
Pensions, Net of Accumulated Amortization	<u>429,845</u>	<u>-</u>	<u>429,845</u>
NET POSITION			
Net Investment in Capital Assets	41,277	(1,105,000)	(1,063,723)
Restricted for Debt Service	-	817,597	817,597
Restricted for Emergencies	108,000	-	108,000
Unrestricted	<u>(373,777)</u>	<u>-</u>	<u>(373,777)</u>
TOTAL NET POSITION	<u>\$ (224,500)</u>	<u>\$ (287,403)</u>	<u>\$ (511,903)</u>

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

CESAR CHAVEZ ACADEMY DENVER

STATEMENT OF ACTIVITIES

Year Ended June 30, 2016

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
PRIMARY GOVERNMENT				
Governmental Activities				
Instruction	\$ 1,978,810	\$ 66,494	\$ 383,908	\$ 11,450
Supporting Services	1,292,875	34,580	16,592	-
Total Governmental Activities	3,271,685	101,074	400,500	11,450
Business-Type Activities				
Building Corporation	515,512	-	-	-
TOTAL PRIMARY GOVERNMENT	\$ 3,787,197	\$ 101,074	\$ 400,500	\$ 11,450

GENERAL REVENUES

Per Pupil Revenue
 Additional At-Risk Funding
 District Mill Levy
 Capital Construction
 Investment Income
 Other

TRANSFERS

TOTAL GENERAL REVENUES

CHANGE IN NET POSITION

NET POSITION, Beginning

NET POSITION, Ending

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

NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION

<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTAL</u>
\$ (1,516,958)	\$ -	\$ (1,516,958)
<u>(1,241,703)</u>	<u>-</u>	<u>(1,241,703)</u>
(2,758,661)	-	(2,758,661)
-	(515,512)	(515,512)
<u>(2,758,661)</u>	<u>(515,512)</u>	<u>(3,274,173)</u>
2,807,975	-	2,807,975
4,090	-	4,090
377,924	-	377,924
94,608	-	94,608
122	105	227
629	-	629
<u>(565,512)</u>	<u>565,512</u>	<u>-</u>
<u>2,719,836</u>	<u>565,617</u>	<u>3,285,453</u>
(38,825)	50,105	11,280
<u>(185,675)</u>	<u>(337,508)</u>	<u>(523,183)</u>
\$ <u><u>(224,500)</u></u>	\$ <u><u>(287,403)</u></u>	\$ <u><u>(511,903)</u></u>

CESAR CHAVEZ ACADEMY DENVER

BALANCE SHEET
GOVERNMENTAL FUND
June 30, 2016

	<u>GENERAL</u>
ASSETS	
Cash	\$ 1,586,371
Grants Receivable	<u>26,126</u>
TOTAL ASSETS	<u>\$ 1,612,497</u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts Payable	\$ 12,734
Accrued Liabilities	<u>37,944</u>
TOTAL LIABILITIES	<u>50,678</u>
FUND BALANCE	
Restricted for Emergencies	108,000
Unrestricted, Unassigned	<u>1,453,819</u>
TOTAL FUND BALANCE	<u>1,561,819</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 1,612,497</u>

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

Total Fund Balance of the Governmental Fund	\$ 1,561,819
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	41,277
Long-term liabilities and related items, including net pension liability (\$1,955,044), pension-related deferred outflows of resources \$557,293, and pension-related deferred inflows of resources (\$429,845), are not due and payable in the current year and, therefore, are not reported in governmental funds.	<u>(1,827,596)</u>
Total Net Position of Governmental Activities	<u>\$ (224,500)</u>

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

CESAR CHAVEZ ACADEMY DENVER

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

	<u>GENERAL</u>
REVENUES	
Local Sources	\$ 3,299,174
State Sources	277,985
Federal Sources	221,213
 TOTAL REVENUES	 3,798,372
EXPENDITURES	
Instruction	1,839,736
Supporting Services	1,731,101
 TOTAL EXPENDITURES	 3,570,837
 EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	 227,535
OTHER FINANCING SOURCES (USES)	
Transfers Out	(50,000)
 NET CHANGE IN FUND BALANCE	 177,535
FUND BALANCE, Beginning	1,384,284
FUND BALANCE, Ending	\$ 1,561,819

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

Net Change in Fund Balance of the Governmental Fund	\$ 177,535
Capital outlays to purchase capital assets are reported in governmental funds as expenditures. However, in the statement of activities the cost of these assets is allocated over the estimated useful lives as annual depreciation expense. This amount represents depreciation expense in the current year.	(26,662)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This amount represents the change in the net pension liability (\$261,097), pension-related deferred outflows of resources \$426,315, and pension-related deferred inflows of resources (\$354,916) in the current year.	(189,698)
Change in Net Position of Governmental Activities	\$ (38,825)

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

CESAR CHAVEZ ACADEMY DENVER

STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2016

	<u>BUILDING CORPORATION</u>
ASSETS	
CURRENT ASSETS	
Restricted Cash and Investments	\$ <u>1,037,853</u>
NONCURRENT ASSETS	
Capital Assets, Not Being Depreciated	1,750,000
Capital Assets, Net of Accumulated Depreciation	<u>3,525,000</u>
TOTAL NONCURRENT ASSETS	<u>5,275,000</u>
TOTAL ASSETS	<u>6,312,853</u>
LIABILITIES	
CURRENT LIABILITIES	
Accrued Interest Payable	220,256
Loan Payable, Current Portion	<u>75,000</u>
TOTAL CURRENT LIABILITIES	295,256
NONCURRENT LIABILITIES	
Loan Payable	<u>6,305,000</u>
TOTAL LIABILITIES	<u>6,600,256</u>
NET POSITION	
Net Investment in Capital Assets	(1,105,000)
Restricted for Debt Service	<u>817,597</u>
TOTAL NET POSITION	\$ <u><u>(287,403)</u></u>

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

CESAR CHAVEZ ACADEMY DENVER

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

	<u>BUILDING CORPORATION</u>
OPERATING REVENUES	
Lease Revenue	\$ <u>515,512</u>
OPERATING EXPENSES	
Depreciation	75,000
Debt Service	
Interest	<u>440,512</u>
TOTAL OPERATING EXPENSES	<u>515,512</u>
NET OPERATING INCOME (LOSS)	-
NONOPERATING REVENUES	
Investment Income	<u>105</u>
NET INCOME (LOSS) BEFORE TRANSFERS	105
Transfers In	<u>50,000</u>
CHANGE IN NET POSITION	50,105
NET POSITION, Beginning	<u>(337,508)</u>
NET POSITION, Ending	\$ <u><u>(287,403)</u></u>

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

CESAR CHAVEZ ACADEMY DENVER

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

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

	<u>BUILDING CORPORATION</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Lease Payments Received	\$ 515,512
Principal Paid	(70,000)
Interest Paid	<u>(443,225)</u>
Net Cash Provided by Operating Activities	2,287
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Payments from Other Funds	50,000
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Income Received	<u>105</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	52,392
CASH AND CASH EQUIVALENTS, Beginning	<u>985,461</u>
CASH AND CASH EQUIVALENTS, Ending	<u>\$ 1,037,853</u>
RECONCILIATION OF NET OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Net Operating Income (Loss)	\$ -
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided by Operating Activities	
Depreciation	75,000
Changes in Assets and Liabilities	
Accrued Interest Payable	(2,713)
Loan Payable	<u>(70,000)</u>
Net Cash Provided by Operating Activities	<u>\$ 2,287</u>

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Cesar Chavez Academy Denver (the “School”) began operations on July 1, 2009, as a charter school within the Denver School District (the “District”).

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 financial reporting entity consists of the School, organizations for which the School is financially accountable, and organizations that raise and hold economic resources for the direct benefit of the School. All funds, organizations, institutions, agencies, departments and offices that are not legally separate are part of the School. Legally separate organizations for which the School is financially accountable are considered part of the reporting entity. Financial accountability exists if the School appoints a voting majority of the organization’s governing board and is able to impose its will on the organization, or if the organization has the potential to provide benefits to, or impose financial burdens on, the School.

Based on the application of this criteria, the School includes the CCA Denver Building Corporation (the “Corporation”) within its reporting entity. The Corporation was organized and shall be operated exclusively for acquiring, leasing, constructing, improving, equipping and financing various facilities, land, equipment, and other improvements in connection with property intended to be leased to the School. The Corporation is blended into the School’s financial statements as an enterprise fund, and does not issue separate financial statements.

The School is a component unit of the District. The School’s charter was granted by the District and the majority of the School’s funding is provided by the District.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all activities of the School. For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are charges for interfund services that are reasonably equivalent to the services provided. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Government-wide and Fund Financial Statements (Continued)**

Separate financial statements are provided for the governmental fund and the proprietary fund. Major individual 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* as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. 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 considered to be susceptible to accrual and so have been recognized as revenues of the current year. All other revenues are considered to be measurable and available only when cash is received by the School. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

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

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

The School reports the following major governmental fund:

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

The School reports the following major proprietary fund:

Building Corporation - This fund is used to account for the financial activities of the Corporation, which are primarily for capital purposes and the related debt service.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position/Fund Balance

Cash and Investments - Cash equivalents include investments with original maturities of three months or less. Investments are reported at fair value. The Corporation's money market fund investments are reported at the net asset value per share, which is measured using amortized cost.

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

Capital Assets - Capital assets, which consist of land, buildings and equipment, are reported in the government-wide financial statements and the proprietary fund in the fund financial statements. Capital assets are defined as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value on the date of donation.

Depreciation of exhaustible capital assets is charged as an expense against operations in the statement of activities, and accumulated depreciation is reported in the statement of net position in the government-wide and proprietary fund financial statements. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings	50 years
Equipment	3 - 10 years

Long-Term Debt - In the government-wide financial statements and the proprietary fund in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable statement of net position. Premiums and discounts are deferred and amortized over the life of the debt using the straight-line method. In the fund financial statements, governmental funds recognize the face amount of debt issued as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses.

Issuance costs, whether or not withheld from the debt proceeds, are reported as current expenses or expenditures.

Pensions - The School participates in the Denver Public Schools Division Trust Fund (DPSD), a single-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado (PERA). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position, and additions to and deductions from the DPSD's fiduciary net position have been determined using the economic resources measurement focus and the accrual basis of accounting, the same basis of accounting used by the DPSD. 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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Assets, Liabilities and Net Position/Fund Balance (Continued)**

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

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

Risk Management

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The School carries commercial insurance for these risks of loss.

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

At June 30, 2016, the Corporation had a negative net position of \$287,403. Management expects this negative balance to be eliminated as the Corporation's debt is paid.

NOTE 3: CASH AND INVESTMENTS

Cash and investments at June 30, 2016, consisted of the following.

Petty Cash	\$ 500
Deposits	1,585,871
Investments	<u>1,037,853</u>
Total	<u><u>\$ 2,624,224</u></u>

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

Cash	\$ 1,586,371
Restricted Cash and Investments	<u>1,037,853</u>
Total	<u><u>\$ 2,624,224</u></u>

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

The Colorado Public Deposit Protection Act (PDPA) requires all local government entities to deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The financial institution is allowed 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 fair value of the collateral must be at least equal to 102% of the uninsured deposits. At June 30, 2016, the School had bank deposits of \$1,375,079 collateralized with securities held by the financial institution's agent but not in the School's name.

Investments

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

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

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.

Credit Risk - State statutes limit investments in money market funds to those that maintain a constant share price, with a maximum remaining maturity in accordance with the Securities and Exchange Commission's Rule 2a-7, and either have assets of one billion dollars or the highest rating issued by one or more nationally recognized statistical rating organizations. At June 30, 2016, the Corporation had \$1,037,853 invested in a money market fund rated AAAM by Standard and Poor's.

Concentration of Credit Risk - State statutes do not limit the amount the School may invest in one issuer, except for corporate securities.

Restricted Cash and Investments

At June 30, 2016, the Corporation had investments of \$1,037,853 restricted for future debt service.

CESAR CHAVEZ ACADEMY DENVER

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 4: CAPITAL ASSETS

Changes in capital assets for the year ended June 30, 2016, are summarized below.

	<u>Balances</u> <u>6/30/15</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances</u> <u>6/30/16</u>
Governmental Activities				
Capital Assets, Being Depreciated				
Equipment	\$ 261,334	\$ -	\$ -	\$ 261,334
Accumulated Depreciation	<u>(193,395)</u>	<u>(26,662)</u>	<u>-</u>	<u>(220,057)</u>
Governmental Activities Capital Assets, Net	<u>\$ 67,939</u>	<u>\$ (26,662)</u>	<u>\$ -</u>	<u>\$ 41,277</u>
Business-Type Activities				
Capital Assets, Not Being Depreciated				
Land	<u>\$ 1,750,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,750,000</u>
Capital Assets, Being Depreciated				
Buildings	3,750,000	-	-	3,750,000
Accumulated Depreciation	<u>(150,000)</u>	<u>(75,000)</u>	<u>-</u>	<u>(225,000)</u>
Capital Assets, Being Depreciated, Net	<u>3,600,000</u>	<u>(75,000)</u>	<u>-</u>	<u>3,525,000</u>
Business-Type Activities Capital Assets, Net	<u>\$ 5,350,000</u>	<u>\$ (75,000)</u>	<u>\$ -</u>	<u>\$ 5,275,000</u>

Depreciation expense of the governmental activities was charged to programs of the School as follows:

Instruction	\$ 6,285
Supporting Services	<u>20,377</u>
Total	<u>\$ 26,662</u>

NOTE 5: LONG-TERM DEBT

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

	<u>Balances</u> <u>6/30/15</u>	<u>Additions</u>	<u>Payments</u>	<u>Balances</u> <u>6/30/16</u>	<u>Due Within</u> <u>One Year</u>
Business-Type Activities					
2013 Building Loan	<u>\$ 6,450,000</u>	<u>\$ -</u>	<u>\$ 70,000</u>	<u>\$ 6,380,000</u>	<u>\$ 75,000</u>

CESAR CHAVEZ ACADEMY DENVER

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 5: LONG-TERM DEBT (Continued)

On July 3, 2013, the Colorado Educational and Cultural Facilities Authority (CECFA) issued \$6,140,000 Charter School Refunding Revenue Bonds, Series 2013A, and \$310,000 Taxable Charter School Refunding Revenue Bonds, Series 2013B. Proceeds of the bonds were used to refund existing debt on the School's educational facilities, allowing the Corporation to purchase the facilities. The School is required to make monthly lease payments to the Corporation for use of the facilities. The Corporation is required to make similar payments to the Trustee, for payment of the bonds. The bonds accrue interest at rates ranging from 6% to 7.75%. Interest payments are due semi-annually on January 1 and July 1, through July 1, 2043. Principal payments are due annually on July 1, from 2015 through 2043. Future debt service requirements are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 75,000	\$ 437,606	\$ 512,606
2018	80,000	431,600	511,600
2019	85,000	425,206	510,206
2020	95,000	419,062	514,062
2021	100,000	413,212	513,212
2022 - 2026	595,000	1,964,143	2,559,143
2027 - 2031	825,000	1,727,080	2,552,080
2032 - 2036	1,145,000	1,392,397	2,537,397
2037 - 2041	1,605,000	916,825	2,521,825
2042 - 2044	<u>1,775,000</u>	<u>226,625</u>	<u>2,001,625</u>
Total	<u>\$ 6,380,000</u>	<u>\$ 8,353,756</u>	<u>\$ 14,733,756</u>

NOTE 6: INTERFUND TRANSACTIONS

During the year ended June 30, 2016, the School deposited \$50,000 into the liquidity reserve fund which is held by the Corporation, as required by the CECFA loan agreement (See Note 5).

NOTE 7: DEFINED BENEFIT PENSION PLAN

General Information

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

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

Benefits Provided - The DPSD provides retirement, disability, and survivor benefits to plan participants or their beneficiaries. Retirement benefits are determined by the amount of service credit earned or purchased, highest average salary, the benefit structure in place, the benefit option selected at retirement, and age at retirement. The retirement benefit is the greater of the a) highest average salary multiplied by 2.5% and then multiplied by years of service credit, or b) \$15 times the first ten years of service credit plus \$20 times the service credit over ten years, plus a monthly amount equal to the annuitized participant contribution account balance based on life expectancy and other actuarial factors. In no case can the benefit amount exceed the highest average salary or the amount allowed by applicable federal regulations.

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

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

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

Contributions - The School and eligible employees are required to contribute to the DPSD at rates established by Title 24, Article 51, Part 4 of the CRS. These contribution requirements are established and may be amended by the State Legislature. The contribution rate for employees is 8% of covered salaries. The School's contribution rate for calendar years 2015 and 2016 was 18.35% and 19.15% of covered salaries, respectively. However, the State Legislature allowed the School to offset its contribution rates by an amount equal to the obligations of the District with respect to its outstanding PCOPs (See Note 8). As a result, the School's contribution rates for calendar years 2015 and 2016 were 2.38% and 3.16%, respectively. In addition, a portion of the School's contribution (1.02% of covered salaries) is allocated to the Health Care Trust Fund (See Note 9). The School's contributions to the DPSD for the year ended June 30, 2016, were \$43,804, equal to the required contributions. Employer contributions are recognized by the DPSD when the related compensation is payable to the employees.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

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

At June 30, 2016, the School reported a net pension liability of \$1,955,044, representing its proportionate share of the net pension liability of the DPSD. The net pension liability was measured at December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. Certain changes in assumptions and other inputs since the prior measurement date affected the total pension liability and are more fully described in the notes to required supplementary information. Standard update procedures were used to roll forward the total pension liability to December 31, 2015. The School's proportion of the net pension liability was based on the School's contributions to the DPSD for the calendar year ended December 31, 2015, relative to the contributions of all participating employers. At December 31, 2015, the School's proportion was 0.2403146486%, which was a decrease of 0.0309035319% from its proportion measured at December 31, 2014.

For the year ended June 30, 2016, the School recognized pension expense of \$217,255. At June 30, 2016, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 88,032	\$ 287
Changes of assumptions and other inputs	-	218,838
Net difference between projected and actual earnings on plan investments	451,445	-
Changes in proportion	-	210,720
Contributions subsequent to the measurement date	<u>17,816</u>	<u>-</u>
Total	<u>\$ 557,293</u>	<u>\$ 429,845</u>

School contributions subsequent to the measurement date of \$17,816 will be recognized as a reduction of the net pension liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30,

2017	\$ 30,822
2018	30,822
2019	30,822
2020	17,876
2021	<u>(710)</u>
Total	<u>\$ 109,632</u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

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

Price inflation	2.8%
Real wage growth	1.1%
Wage inflation	3.9%
Salary increases, including wage inflation	3.9% - 10.1%
Long-term investment rate of return, net of plan investment expenses, including price inflation	7.5%
Future post-retirement benefit increases	2%

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>10 Year Expected Geometric Real Rate of Return</u>
U.S. Equity - Large Cap	26.76%	5.00%
U.S. Equity - Small Cap	4.40%	5.19%
Non U.S. Equity - Developed	22.06%	5.29%
Non U.S. Equity - Emerging	6.24%	6.76%
Core Fixed Income	24.05%	0.98%
High Yield	1.53%	2.64%
Long Duration Government/Credit	0.53%	1.57%
Emerging Market Bonds	0.43%	3.04%
Real Estate	7.00%	5.09%
Private Equity	7.00%	7.15%
Total	<u><u>100.00%</u></u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and the employer contributions will be made at the rates specified in State statutes, which currently require annual increases, to a total of 20.15% of covered salaries for the year ended December 31, 2018. When the actuarially determined funding ratio reaches 103 percent, the employer contribution rate will decrease 0.5% each year, to a minimum of 10.15%. Based on those assumptions, the DPSD's fiduciary net position was projected to be available to make all projected future benefit payments to current participants. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability. In addition, the discount rate did not change from the prior measurement date.

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

	<u>1% Decrease (6.5%)</u>	<u>Current Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
Proportionate share of the net pension liability	<u>\$ 3,060,342</u>	<u>\$ 1,955,044</u>	<u>\$ 1,038,022</u>

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

NOTE 8: PENSION CERTIFICATES OF PARTICIPATION

Beginning in 2008, the District issued Taxable Pension Certificates of Participation (PCOPs) to fund the liabilities of the DPSD (See Note 7). For the year ended June 30, 2016, the School contributed 9.95% of covered salaries, or \$150,339, to the District to cover its obligation relating to the PCOPs.

NOTE 9: POSTEMPLOYMENT HEALTHCARE BENEFITS

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

Funding Policy - The School is required to contribute at a rate of 1.02% of covered salaries for all DPSD participants. No employee contributions are required. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208 of the CRS, as amended. The School's apportionment to the HCTF for the years ended June 30, 2016, 2015 and 2014 was \$15,410, \$15,614 and \$15,508, respectively, equal to the required amounts for each year.

NOTE 10: COMMITMENTS AND CONTINGENCIES

Claims and Judgments

The School participates in a number of federal and state programs that are fully or partially funded by revenues received from other governmental entities. Expenditures financed by these revenues are subject to audit by the appropriate government. If expenditures are disallowed due to noncompliance with program regulations, the School may be required to reimburse the other government. At June 30, 2016, significant amounts of related expenditures have not been audited but management 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 the Tabor Amendment to the State Constitution which limits state and local government taxing powers and imposes spending limitations. The Amendment is subject to many interpretations, but the School believes it is in substantial compliance with the Amendment. In accordance with the Amendment, the School has established an emergency reserve representing 3% of qualifying expenditures. At June 30, 2016, the reserve was reported as restricted fund balance in the General Fund, in the amount of \$108,000.

REQUIRED SUPPLEMENTARY INFORMATION

CESAR CHAVEZ ACADEMY DENVER

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

June 30, 2016

	<u>12/31/15</u>	<u>12/31/14</u>	<u>12/31/13</u>
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY			
School's Proportion of the Net Pension Liability	0.2403146486%	0.2712181805%	0.2890733900%
School's Proportionate Share of the Net Pension Liability	\$ 1,955,044	\$ 1,693,947	\$ 1,503,482
School's Covered-Employee Payroll	\$ 1,504,813	\$ 1,598,421	\$ 1,576,533
School's Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll	130%	106%	95%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	79%	84%	86%
	<u>6/30/16</u>	<u>6/30/15</u>	<u>6/30/14</u>
SCHOOL CONTRIBUTIONS			
Statutorily Required Contribution	\$ 28,394	\$ 36,240	\$ 62,176
Contributions in Relation to the Statutorily Required Contribution	<u>(28,394)</u>	<u>(36,240)</u>	<u>(62,176)</u>
Contribution Deficiency (Excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
School's Covered-Employee Payroll	\$ 1,510,924	\$ 1,578,530	\$ 1,586,184
Contributions as a Percentage of Covered-Employee Payroll	1.88%	2.30%	3.92%

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

See the accompanying Independent Auditors' Report.

CESAR CHAVEZ ACADEMY DENVER

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Year Ended June 30, 2016

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	VARIANCE Positive (Negative)
REVENUES				
Local Sources				
Per Pupil Revenue	\$ 3,468,377	\$ 2,788,782	\$ 2,807,975	\$ 19,193
District Mill Levy	452,052	368,627	377,924	9,297
Student Fees	28,248	28,248	34,641	6,393
Pupil Activities	18,000	18,000	31,853	13,853
Rental Income	28,800	28,800	34,580	5,780
Grants	-	-	11,450	11,450
Investment Income	200	200	122	(78)
Other	12,000	24,000	629	(23,371)
Total Local Sources	<u>4,007,677</u>	<u>3,256,657</u>	<u>3,299,174</u>	<u>42,517</u>
State Sources				
Capital Construction	66,480	91,135	94,608	3,473
Additional At-Risk Funding	-	-	4,090	4,090
Grants	89,487	178,146	179,287	1,141
Total State Sources	<u>155,967</u>	<u>269,281</u>	<u>277,985</u>	<u>8,704</u>
Federal Sources				
Grants	190,217	226,196	221,213	(4,983)
TOTAL REVENUES	<u>4,353,861</u>	<u>3,752,134</u>	<u>3,798,372</u>	<u>46,238</u>
EXPENDITURES				
Salaries	1,789,867	1,591,981	1,555,619	36,362
Employee Benefits	506,230	412,076	370,922	41,154
Purchased Services	1,447,222	1,447,820	1,371,896	75,924
Supplies and Materials	278,975	231,151	236,756	(5,605)
Property	52,000	35,000	29,733	5,267
Other	167,831	107,300	5,911	101,389
TOTAL EXPENDITURES	<u>4,242,125</u>	<u>3,825,328</u>	<u>3,570,837</u>	<u>254,491</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	111,736	(73,194)	227,535	300,729
OTHER FINANCING SOURCES (USES)				
Transfers Out	(50,000)	(50,000)	(50,000)	-
NET CHANGE IN FUND BALANCE	61,736	(123,194)	177,535	300,729
FUND BALANCE, Beginning	<u>914,998</u>	<u>1,384,287</u>	<u>1,384,284</u>	<u>(3)</u>
FUND BALANCE, Ending	<u>\$ 976,734</u>	<u>\$ 1,261,093</u>	<u>\$ 1,561,819</u>	<u>\$ 300,726</u>

See the accompanying Independent Auditors' Report.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2016

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

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

Changes in Assumptions and Other Inputs

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

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

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

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

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

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

All appropriations lapse at fiscal year end.