

ROOTS ELEMENTARY SCHOOL
Denver, Colorado

FINANCIAL STATEMENTS

June 30, 2016



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By Justin L. Smith at 12:12 pm, Nov 01, 2016

ROOTS ELEMENTARY SCHOOL

June 30, 2016

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Board of Directors
Roots Elementary School
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 Roots Elementary School, component unit of Denver Public Schools, 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 Roots Elementary School, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

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

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.

Ernst & Young LLP

October 28, 2016

Roots Elementary

Management's Discussion and Analysis

Fiscal Year Ending June 30, 2016

As management of Roots Elementary (Roots or the School), we offer readers of Roots' basic financial statements this narrative and analysis of the financial activities of Roots 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 first full year of operations for Roots. The general fund balance for fiscal year ending June 30, 2016 is \$604,196. The net position of the Roots Building Corporation (Building Corporation) for fiscal year ending June 30, 2016 is negative \$31,052.

The operations of Roots 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 \$541,802. In addition, the School raised \$1,166,761 in private grant revenue.

Roots occupied a temporary building while its new building was under construction. To finance the construction of the new building, the Building Corporation obtained two loans. In January 2016, the Building Corporation obtained a \$5,100,000 loan from the Self-Help Ventures Fund. This loan accrues interest at 4.71% annually and requires monthly interest-only payments. The full principal amount and any unpaid interest is due in September 2018. Also in January, 2016 the Building Corporation entered into a \$1,200,000 loan agreement with the Charter School Growth Fund. Loan proceeds of \$1,000,000 have been disbursed and an additional \$200,000 will be disbursed upon satisfaction of an annual performance review. This loan accrues interest at 2.5% annually. The full principal and any unpaid interest is due in full on September 2018.

Overview of Financial Statements

This discussion and analysis are intended to serve as an introduction to Roots' 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 Roots' finances in a manner similar to a private-sector business.

The statement of net position presents information on all Roots' 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 Roots is improving or deteriorating. The statement of activities presents information showing how Roots' 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 Roots that are primarily supported by the per-pupil operating revenue passed from Denver Public Schools. These activities include instruction and supporting services.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Roots keeps track of these monies to ensure and demonstrate compliance with finance-related legal requirements.

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 Roots' 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.

Roots maintains one governmental fund, and adopts an annual appropriated budget for the governmental fund. A budgetary comparison schedule has been provided to demonstrate compliance with the budget.

Proprietary Fund. Roots maintains one individual proprietary fund, the Roots Elementary Building Corporation. It is considered a component unit of Roots 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 Roots Elementary Building Corporation is not required to adopt an annual appropriated budget and does not.

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 Roots' financial position. For the year ended June 30, 2016, Roots' total net position was \$349,526, which includes a net pension liability in the amount of \$862,616, representing its proportionate share of the net pension liability of the School Division Trust Fund (SDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado (PERA).

Of Roots' total net position, negative \$31,052 is invested in capital assets net of related debt, \$323,578 is unrestricted and \$57,000 is restricted to comply with Article X, Section 20 of the Colorado Constitution, known as the TABOR Amendment.

Roots has adopted GASB 68 (Defined Benefit Pension Plan)

Roots' Net Position is \$349,526, rather than a larger number, as the result of the adoption of GASB Statement No. 68, resulting in a net pension liability of \$862,616, representing its proportionate share of the SDTF's net pension liability.

Statement of Net Position	2015-2016
Assets	
Cash	\$ 515,623
Restricted Cash	2,798,935
Grants Receivable	126,539
Deposits	5,000
Capital Assets, Not Being Depreciated	<u>4,482,707</u>
Total Assets	7,928,804
Deferred Outflows of Resources	
Pensions, Net of Accumulated Amortization	735,555
Liabilities	
Accounts Payable	841,033
Accrued Liabilities	5,129
Retainage Payable	380,546
Accrued Interest Payable	28,952
Noncurrent Liabilities	
Due in More Than One Year	6,100,000
Net Pension Liability	<u>862,616</u>
Total Liabilities	8,218,276
Deferred Inflows of Resources	
Pensions, Net of Accumulated Amortization	96,557

Net Position

Net Investment in Capital Assets	(31,052)
Restricted for Emergencies	57,000
Unrestricted	323,578
Total Net Position	\$ 349,526

Change in Net Position**2015-2016****Revenues**

Per Pupil Revenue	\$ 541,802
Charges for Services	8,390
Operating Grants and Contributions	94,541
Capital Grants and Contributions	80,000
Grants and Contributions not Restricted to Specific Programs	1,181,119
District Mill Levy	142,628
Additional At-Risk Funding	893
Capital Construction	17,784
Investment Income	409
Other	1,226
Total Revenue	2,068,792

Expenses

Instruction	670,473
Supporting Services	996,215
Building Corporation	31,052
Total Expenses	1,697,740

Increase (decrease) in net position 371,052**Net Position, Beginning** (21,526)**Net Position, Ending** **\$ 349,526**

Financial Analysis of Roots' Funds

Governmental Fund

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

As of the end of the 2016 fiscal year Roots' general fund reported an ending fund balance of \$604,196, an increase of \$625,722 from fiscal year 2014-2015.

Proprietary Fund

The proprietary fund was created to hold the \$6,100,000 debt for building the new facility. At the end of June 2016, the total net position of the proprietary fund was negative (\$31,052), with restricted cash of \$2,798,935, total assets in the amount of \$7,281,642 and liabilities in the amount of \$7,312,694. All long term debt currently in the proprietary fund is due and payable September 1, 2018.

General Fund Budgetary Highlights

Roots budgeted for General Fund revenues of \$1,977,003 and expenditures of \$1,379,596 for the year ended June 30, 2016. Actual revenues were \$2,068,792 and actual expenditures were \$1,443,070.

There were budget amendments during the year, which reflected increases in revenues and decreases in expenditures, primarily as the result of additional anticipated contributions and changes in anticipated costs.

Capital Asset and Debt Administration

Capital assets

The Building Corporation's investment in capital assets as of June 30, 2016, amounts to \$4,482,707 in construction in progress. Additional detail regarding capital assets can be found in Note 4 to the financial statements.

Long-term debt

As of June 30, 2016 Roots and the Building Corporation had debt outstanding in the amount of \$6,100,000. This amount is comprised of two loans used to finance the construction of the School's new educational facility. Additional information regarding long-term debt can be found in Note 5 to the financial statements. The two loans are as follows:

On January 8, 2016, the Corporation obtained a loan from the Self-Help Ventures Fund in the amount of \$5,100,000. Proceeds of the loan are being used to construct the School's education facilities. Interest accrues at 4.71% per annum. Interest-only payments are due monthly beginning February 1, 2016. All

principal and any unpaid interest is due in full on September 1, 2018. In addition to monthly interest payments, the School is also responsible for monthly reserve payments into Self-Help accounts, beginning in October 2016. The School must put \$530 a month into the Capital Asset Renewal Account, and \$9,450 will go into the Sinking Fund Reserve.

On January 8, 2016, the Corporation entered into a loan agreement with the Charter School Growth Fund (CSGF) in the amount of \$1,200,000. Loan proceeds will be used to construct and equip the School's education facilities. At June 30, 2016, loan proceeds of \$1,000,000 were disbursed, with the remaining \$200,000 to be disbursed upon satisfaction of an annual performance review. Interest accrues on the outstanding balance of the loan at 2.5% per annum. All principal and any unpaid interest is due in full on September 1, 2018.

Economic Factors and Next Year's Budget

The primary factor driving the budget for Roots is student enrollment. Full-time enrollment for the 2015-2016 school year was 68.8. The enrollment projected for the 2016-2017 school year is expected to be 160. This factor was considered in preparing Roots' budget for 2016-2017.

Requests for Information

This financial report is designed to provide a general overview of Roots Elementary School 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:

Roots Elementary School
3350 Hudson Street
Denver, CO 80207

BASIC FINANCIAL STATEMENTS

ROOTS ELEMENTARY SCHOOL

STATEMENT OF NET POSITION

June 30, 2016

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash	\$ 515,623	\$ -	\$ 515,623
Restricted Cash	-	2,798,935	2,798,935
Grants Receivable	126,539	-	126,539
Deposits	5,000	-	5,000
Capital Assets, Not Being Depreciated	-	4,482,707	4,482,707
TOTAL ASSETS	<u>647,162</u>	<u>7,281,642</u>	<u>7,928,804</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pensions, Net of Accumulated Amortization	<u>735,555</u>	-	<u>735,555</u>
LIABILITIES			
Accounts Payable	37,837	803,196	841,033
Retainage Payable	-	380,546	380,546
Accrued Liabilities	5,129	-	5,129
Accrued Interest Payable	-	28,952	28,952
Noncurrent Liabilities			
Due in More Than One Year	-	6,100,000	6,100,000
Net Pension Liability	<u>862,616</u>	-	<u>862,616</u>
TOTAL LIABILITIES	<u>905,582</u>	<u>7,312,694</u>	<u>8,218,276</u>
DEFERRED INFLOWS OF RESOURCES			
Pensions, Net of Accumulated Amortization	<u>96,557</u>	-	<u>96,557</u>
NET POSITION			
Net Investment in Capital Assets	-	(31,052)	(31,052)
Restricted for Emergencies	57,000	-	57,000
Unrestricted	<u>323,578</u>	-	<u>323,578</u>
TOTAL NET POSITION	<u>\$ 380,578</u>	<u>\$ (31,052)</u>	<u>\$ 349,526</u>

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

ROOTS ELEMENTARY SCHOOL

STATEMENT OF ACTIVITIES
Year Ended June 30, 2016

FUNCTIONS/PROGRAMS PRIMARY GOVERNMENT	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION			
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Governmental Activities							
Instruction	\$ 670,473	\$ 5,269	\$ 31,790	\$ -	\$ (633,414)	\$ -	\$ (633,414)
Supporting Services	996,215	3,121	62,751	80,000	(850,343)	-	(850,343)
Total Governmental Activities	1,666,688	8,390	94,541	80,000	(1,483,757)	-	(1,483,757)
Business-Type Activities							
Building Corporation	31,052	-	-	-	-	(31,052)	(31,052)
TOTAL PRIMARY GOVERNMENT	\$ 1,697,740	\$ 8,390	\$ 94,541	\$ 80,000	(1,483,757)	(31,052)	(1,514,809)
GENERAL REVENUES							
Per Pupil Revenue					541,802	-	541,802
Additional At-Risk Funding					893	-	893
District Mill Levy					142,628	-	142,628
Capital Construction					17,784	-	17,784
Grants and Contributions not Restricted to Specific Programs					1,181,119	-	1,181,119
Investment Income					409	-	409
Miscellaneous					1,226	-	1,226
TOTAL GENERAL REVENUES					1,885,861	-	1,885,861
CHANGE IN NET POSITION					402,104	(31,052)	371,052
NET POSITION, Beginning					(21,526)	-	(21,526)
NET POSITION, Ending					\$ 380,578	\$ (31,052)	\$ 349,526

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

ROOTS ELEMENTARY SCHOOL

BALANCE SHEET
GOVERNMENTAL FUND

June 30, 2016

	<u>GENERAL</u>
ASSETS	
Cash	\$ 515,623
Grants Receivable	126,539
Deposits	<u>5,000</u>
TOTAL ASSETS	<u>\$ 647,162</u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts Payable	\$ 37,837
Accrued Liabilities	<u>5,129</u>
TOTAL LIABILITIES	<u>42,966</u>
FUND BALANCE	
Restricted for Emergencies	57,000
Unrestricted, Unassigned	<u>547,196</u>
TOTAL FUND BALANCE	<u>604,196</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 647,162</u>

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

Total Fund Balance of the Governmental Fund	\$ 604,196
Long-term liabilities and related items, including net pension liability (\$862,616), pension-related deferred outflows of resources \$735,555, and pension-related deferred inflows of resources (\$96,557), are not due and payable in the current year and, therefore, are not reported in governmental funds.	<u>(223,618)</u>
Total Net Position of Governmental Activities	<u>\$ 380,578</u>

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

ROOTS ELEMENTARY SCHOOL

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

	<u>GENERAL</u>
REVENUES	
Local Sources	\$ 1,865,725
State Sources	18,946
Federal Sources	184,121
 TOTAL REVENUES	 2,068,792
EXPENDITURES	
Current	
Instruction	556,428
Supporting Services	886,642
 TOTAL EXPENDITURES	 1,443,070
 NET CHANGE IN FUND BALANCE	 625,722
FUND BALANCE, Beginning	(21,526)
FUND BALANCE, Ending	\$ 604,196

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

Net Change in Fund Balance of the Governmental Fund	\$ 625,722
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 (\$862,616), pension-related deferred outflows of resources \$735,555, and pension-related deferred inflows of resources (\$96,557) in the current year.	(223,618)
Change in Net Position of Governmental Activities	\$ 402,104

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

ROOTS ELEMENTARY SCHOOL

STATEMENT OF NET POSITION
PROPRIETARY FUND

June 30, 2016

	<u>BUILDING CORPORATION</u>
CURRENT ASSETS	
Restricted Cash	\$ <u>2,798,935</u>
TOTAL CURRENT ASSETS	2,798,935
NONCURRENT ASSETS	
Capital Assets, Not Being Depreciated	<u>4,482,707</u>
TOTAL ASSETS	<u>7,281,642</u>
LIABILITIES	
CURRENT LIABILITIES	
Accounts Payable	803,196
Retainage Payable	380,546
Accrued Interest Payable	<u>28,952</u>
TOTAL CURRENT LIABILITIES	1,212,694
NONCURRENT LIABILITIES	
Loans Payable	<u>6,100,000</u>
TOTAL LIABILITIES	<u>7,312,694</u>
NET POSITION	
Net Investment in Capital Assets	<u>(31,052)</u>
TOTAL NET POSITION	<u>\$ <u>(31,052)</u></u>

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

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

	<u>BUILDING CORPORATION</u>
OPERATING EXPENSES	
Purchased Services	\$ <u>72</u>
TOTAL OPERATING EXPENSES	<u>72</u>
NET OPERATING INCOME (LOSS)	(72)
NONOPERATING EXPENSES	
Debt Issuance Costs	<u>(30,980)</u>
CHANGE IN NET POSITION	(31,052)
NET POSITION, Beginning	<u>-</u>
NET POSITION, Ending	<u>\$ (31,052)</u>

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

ROOTS ELEMENTARY SCHOOL

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
 Increase (Decrease) in Cash
 Year Ended June 30, 2016

	<u>BUILDING CORPORATION</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Paid to Suppliers	\$ <u>(72)</u>
Net Cash Provided (Used) by Operating Activities	<u>(72)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Debt Proceeds	6,100,000
Construction and Acquisition of Capital Assets	(3,190,548)
Interest Earned and Capitalized	17,286
Interest Paid and Capitalized	(96,751)
Debt Issuance Costs Paid	<u>(30,980)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>2,799,007</u>
NET CHANGE IN CASH	2,798,935
CASH, Beginning	<u>-</u>
CASH, Ending	\$ <u><u>2,798,935</u></u>

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

ROOTS ELEMENTARY SCHOOL

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Roots Elementary School (the “School”) was established pursuant to the Colorado Charter Schools Act to form and operate a charter school within Denver Public Schools (the “District”). The School began classes in the Fall of 2015.

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 School’s 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 upon the application of this criteria, the School includes the Roots Elementary Building Corporation (the “Corporation”) within its reporting entity. The Corporation was formed to acquire and hold real and/or personal property for, and to lease or make the same available for use by, the School, and to otherwise provide facilities, equipment and other physical plant and related support 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 is authorized by the District and the majority of the School’s funding is provided by the District.

Government-wide and Fund Financial Statements

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

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

ROOTS ELEMENTARY SCHOOL

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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 income 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 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, primarily related to capital assets and the related debt service.

ROOTS ELEMENTARY SCHOOL

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Deposits - The School has provided a security deposit related to an operating lease agreement.

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

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

Net interest incurred during construction is included in the capitalized value of capital assets in the enterprise fund.

Compensated Absences - Employees of the School are allowed to accumulate unused personal leave to a maximum of 10 days. The School does not reimburse or otherwise compensate terminated employees for any unused personal leave. Therefore, no liability is reported in the financial statements for these compensated absences.

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 governmental fund financial statements, the face amount of debt issued is reported as other financing sources. 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 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.

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.

ROOTS ELEMENTARY SCHOOL

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 \$31,052. Management expects this negative balance to be eliminated as the Corporation's debt is paid.

NOTE 3: CASH AND INVESTMENTS

At June 30, 2016, the School and the Corporation had the following cash:

Bank Deposits	\$ 515,623
Cash Held by Third Party	<u>2,798,935</u>
Total	<u>\$ 3,314,558</u>

Cash is reported in the financial statements as follows:

Cash	\$ 515,623
Restricted Cash	<u>2,798,935</u>
Total	<u>\$ 3,314,558</u>

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires all local governments to deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. At June 30, 2016, the School had bank deposits of \$275,620 that were uninsured and uncollateralized.

ROOTS ELEMENTARY SCHOOL

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 3: CASH AND INVESTMENTS (Continued)

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.

- 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

State statutes do not address custodial risk. State statutes generally limit investments to an original maturity of five years, unless a longer maturity is authorized by the governing board.

The School and the Corporation had no investments at June 30, 2016.

Restricted Cash

At June 30, 2016, the Corporation had loan proceeds of \$2,798,935 held by a third party. This cash is restricted by the loan agreement for capital outlay and debt service.

NOTE 4: CAPITAL ASSETS

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

	Balance 6/30/15	Additions	Deletions	Balance 6/30/16
Business-Type Activities				
Capital Assets, Not Being Depreciated				
Construction in Progress	\$ -	\$ 4,482,707	\$ -	\$ 4,482,707

NOTE 5: LONG-TERM DEBT

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

	Balances 6/30/15	Additions	Payments	Balances 6/30/16	Due Within One Year
Business-Type Activities					
Self-Help Loan	\$ -	\$ 5,100,000	\$ -	\$ 5,100,000	\$ -
CSGF Loan	-	1,000,000	-	1,000,000	-
Total	\$ -	\$ 6,100,000	\$ -	\$ 6,100,000	\$ -

ROOTS ELEMENTARY SCHOOL

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 5: LONG-TERM DEBT (Continued)

On January 8, 2016, the Corporation obtained a loan from the Self-Help Ventures Fund in the amount of \$5,100,000. Proceeds of the loan will be used to construct the School's education facilities. Interest accrues at 4.71% per annum. Interest-only payments are due monthly beginning February 1, 2016. All principal and any unpaid interest is due in full on September 1, 2018. Beginning in October 2016, the loan agreement requires that the School deposit monthly payments of \$530 into a Capital Asset Reserve Account for replacement and renovation of the facilities, and monthly payments of \$9,450 into a Sinking Fund Account to be used for debt payments in the event of default or other working capital needs of the School.

On January 8, 2016, the Corporation entered into a loan agreement with the Charter School Growth Fund (CSGF) in the amount of \$1,200,000. Loan proceeds will be used to construct and equip the School's education facilities. At June 30, 2016, loan proceeds of \$1,000,000 were disbursed, with the remaining \$200,000 to be disbursed upon satisfaction of an annual performance review. Interest accrues on the outstanding balance of the loan at 2.5% per annum. All principal and accrued interest is due in full on September 1, 2018.

Annual debt service requirements for the outstanding loans are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ -	\$ 268,550	\$ 268,550
2018	-	268,550	268,550
2019	<u>6,100,000</u>	<u>67,638</u>	<u>6,167,638</u>
Total	<u>\$ 6,100,000</u>	<u>\$ 604,738</u>	<u>\$ 6,704,738</u>

NOTE 6: 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.

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.

ROOTS ELEMENTARY SCHOOL

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)

General Information (Continued)

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 7). As a result, the School's contribution rates for calendar years 2015 and 2016 were 2.38% and 3.61%, 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 8). The School's contributions to the DPSD for the year ended June 30, 2016, were \$18,009, equal to the required contributions. Employer contributions are recognized by the DPSD when the related compensation is payable to the employees.

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 \$862,616, 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 0.1060330714%. The School began participating in the DPSD on July 1, 2015, and therefore, had no measurable proportion of the total pension liability at December 31, 2014.

ROOTS ELEMENTARY SCHOOL

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)

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

For the year ended June 30, 2016, the School recognized pension expense of \$904,893. 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	\$ 38,842	\$ -
Changes of assumptions and other inputs	-	96,557
Net difference between projected and actual earnings on plan investments	159,390	-
Change in proportion	530,065	-
Contributions subsequent to the measurement date	<u>7,258</u>	<u>-</u>
Total	<u>\$ 735,555</u>	<u>\$ 96,557</u>

School contributions subsequent to the measurement date of \$7,258 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	\$ 157,640
2018	157,640
2019	157,640
2020	157,640
2021	<u>1,180</u>
Total	<u>\$ 631,740</u>

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%

ROOTS ELEMENTARY SCHOOL

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)

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

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:

Asset Class	Target Allocation	10 year Expected Geometric Real Rate of Return
U.S. Equity - Large Cap	26.76%	5.00%
U.S. Equity - Small Cap	4.40%	5.19%
Non U.S. Equity - Developed	22.06%	5.29%
Non U.S. Equity - Emerging	6.24%	6.76%
Core Fixed Income	24.05%	0.98%
High Yield	1.53%	2.64%
Long Duration 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%	

Discount Rate - The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and the employer contributions will be made at the rates specified in State statutes, which currently require annual increases, to a total of 20.15% of covered salaries for the year ended December 31, 2018. When the actuarially determined funding ratio reaches 103%, the employer contribution rate will decrease 0.5% each year, to a minimum of 10.15%.

ROOTS ELEMENTARY SCHOOL

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)

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

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:

	1% Decrease <u>(6.5%)</u>	Current Discount Rate <u>(7.5%)</u>	1% Increase <u>(8.5%)</u>
Proportionate share of the net pension liability	<u>\$ 1,350,303</u>	<u>\$ 862,616</u>	<u>\$ 458,002</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 7: 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 6). For the year ended June 30, 2016, the School contributed 9.95% of covered salaries, totaling \$60,887, to the District to cover its obligation relating to the PCOPs.

NOTE 8: POSTEMPLOYMENT HEALTHCARE BENEFITS

Plan Description - The School contributes to the Denver Public Schools 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 year ended June 30, 2016, was \$6,243, equal to the required amounts for each year.

ROOTS ELEMENTARY SCHOOL

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 9: COMMITMENTS AND CONTINGENCIES

Claims and Judgements

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

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 \$57,000.

Operating Lease

On April 3, 2015, the School approved an operating lease agreement to use a building for education facilities through June 30, 2016. During the year ended June 30, 2016, the School paid \$32,000 under this lease agreement.

Land Use Agreement

On December 30, 2015, the School entered into a land use agreement with a subsidiary of the Urban Land Conservancy. The agreement allowed the School to construct education facilities on the land and use the facilities from January 1, 2016, through December 31, 2114. The School has an extension option for an additional 99 years. During the year ended June 30, 2016, the School paid land use fees under this agreement of \$3,500. As required by the agreement, the land use fees will increase by 5% every five years to a maximum of \$25,000 annually.

Construction Commitments

At June 30, 2016, the Corporation has unpaid commitments to complete construction of the education facilities of \$1,506,313.

REQUIRED SUPPLEMENTARY INFORMATION

ROOTS ELEMENTARY SCHOOL

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

	12/31/15
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	
School's Proportion of the Net Pension Liability	0.1060330714%
School's Proportionate Share of the Net Pension Liability	\$ 862,616
School's Covered-Employee Payroll	\$ 331,750
School's Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll	260%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	79%
	6/30/16
SCHOOL CONTRIBUTIONS	
Statutorily Required Contribution	\$ 11,766
Contributions in Relation to the Statutorily Required Contribution	(11,766)
Contribution Deficiency (Excess)	\$ -
School's Covered-Employee Payroll	\$ 611,926
Contributions as a Percentage of Covered-Employee Payroll	1.92%

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.

ROOTS ELEMENTARY SCHOOL

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	\$ 580,874	\$ 541,802	\$ 541,802	\$ -
District Mill Levy	139,754	142,628	142,628	-
Student Fees and Activities	-	3,600	5,269	1,669
Food Service Fees	4,300	2,000	3,121	1,121
Contributions and Donations	435,000	998,385	1,171,270	172,885
Investment Income	-	400	409	9
Miscellaneous	-	-	1,226	1,226
State Sources				
Additional At-Risk Funding	-	-	893	893
Capital Construction	26,213	18,821	17,784	(1,037)
Food Service Grants	-	-	269	269
Federal Sources				
Instruction Grants	275,042	211,068	125,822	(85,246)
Food Service Grants	58,299	58,299	58,299	-
TOTAL REVENUES	<u>1,519,482</u>	<u>1,977,003</u>	<u>2,068,792</u>	<u>91,789</u>
EXPENDITURES				
Salaries	653,983	652,695	633,470	19,225
Employee Benefits	189,611	161,439	144,686	16,753
Purchased Professional Services	37,860	65,071	86,266	(21,195)
Purchased Property Services	56,792	40,877	44,460	(3,583)
Other Purchased Services	148,297	192,030	231,510	(39,480)
Supplies and Materials	188,884	116,574	121,719	(5,145)
Property	115,560	147,958	178,821	(30,863)
Other	-	2,952	2,138	814
TOTAL EXPENDITURES	<u>1,390,987</u>	<u>1,379,596</u>	<u>1,443,070</u>	<u>(63,474)</u>
NET CHANGE IN FUND BALANCE	128,495	597,407	625,722	28,315
FUND BALANCE, Beginning	-	-	(21,526)	(21,526)
FUND BALANCE, Ending	<u>\$ 128,495</u>	<u>\$ 597,407</u>	<u>\$ 604,196</u>	<u>\$ 6,789</u>

See the accompanying Independent Auditors' Report.

ROOTS ELEMENTARY SCHOOL

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.

Legal Compliance

For the year ended June 30, 2016, the General Fund expenditures exceeded the amounts budgeted by \$63,474. This may be a violation of State statutes.