

BANNING LEWIS RANCH ACADEMY

FINANCIAL STATEMENTS
With Independent Auditors' Report

For the Year Ended June 30, 2016



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BANNING LEWIS RANCH ACADEMY
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Banning Lewis Ranch Academy

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Banning Lewis Ranch Academy, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School's basic financial statements 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 of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Banning Lewis Ranch Academy, as of June

30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof 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 required supplementary information as 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 required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Banning Lewis Ranch Academy's financial statements as a whole. The other supplemental information is presented for purposes of additional analysis and is not a required part of the financial statements. The other supplemental information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Hoelting & Company Inc.

Colorado Springs, Colorado
November 28, 2016

Banning Lewis Ranch Academy is a K-8 Public Charter School located in Colorado Springs, Colorado that began operations in the fall of 2006. This Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Banning Lewis Ranch Academy administration's discussion and analysis of the financial results for the fiscal year ended June 30, 2016.

OVERVIEW OF THE FINANCIAL STATEMENTS

U.S. generally accepted accounting principles (GAAP) according to GASB 34 requires the reporting of two types of financial statements: Government-wide Financial Statements and Governmental Fund Financial Statements.

Fund Financial Statements:

The governmental fund level statements are reported on a modified accrual basis. Only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

Governmental activities including the Academy's major instruction and instructional support activities are reported in the General Fund. While governmental activities consist of functions that are mostly funded by intergovernmental revenues, business type activities consist of functions that are intended to recover all or most of their costs through user fees and charges. The Academy includes the Banning Lewis Ranch Academy Building Company, LLC as a business type component unit in its fund financial statements as the debt service requirements of the facility financing arrangement is designed to be funded by lease payments from the Academy.

In the governmental fund financial statements, capital assets purchased are reported as expenditures in the year of acquisition. No asset is reported on the balance sheet. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. Future year's debt obligations are not recorded on the balance sheet.

Government-wide Financial Statements:

The Government-wide financial statements are maintained using the "full accrual" basis. They report all of the Academy's assets and liabilities, both current and long term, regardless if they are "currently available" or not. For example, capital assets and long-term obligations of the Academy are reported in the Statement of Net Position of the Government-wide financial statements.

Banning Lewis Ranch Academy
Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2016

FINANCIAL ANALYSIS OF THE ACADEMY AS A WHOLE

Summary of Net Position:

The following summarizes the net position at fiscal year end June 30, 2016:

	Governmental Activities		Business-type Activities		Totals	
	2015	2016	2015	2016	2015	2016
Assets						
Current assets	\$2,230,476	\$2,466,074	\$894,624	\$570,814	\$3,125,100	\$3,036,888
Capital assets	864,477	957,530	6,398,543	6,728,153	7,263,020	7,685,683
Less: accumulated depreciation	(638,847)	(693,404)	(1,303,881)	(1,437,769)	(1,942,728)	(2,131,173)
Capital assets, net book value	225,630	264,126	5,094,662	5,290,384	5,320,292	5,554,510
Total assets	\$2,456,106	\$2,730,200	\$5,989,286	\$5,861,198	\$8,445,392	\$8,591,398
Liabilities						
Current liabilities	\$364,315	\$485,249	\$177,860	\$187,458	\$542,175	\$672,707
Long-term liabilities	0	0	6,955,000	6,785,000	6,955,000	6,785,000
Total liabilities	\$364,315	\$485,249	\$7,132,860	\$6,972,458	\$7,497,175	\$7,457,707
Net position						
Net investment (deficit) in capital assets	\$225,630	\$264,126	(\$2,020,338)	(\$1,994,226)	(\$1,794,708)	(\$1,730,100)
Restricted	151,230	165,000	956,129	882,966	1,107,359	1,047,966
Unrestricted	1,714,931	1,815,825	(79,365)	0	1,635,566	1,815,825
Total net position	\$2,091,791	\$2,244,951	(\$1,143,574)	(\$1,111,260)	\$948,217	\$1,133,691

FINANCIAL ANALYSIS OF THE ACADEMY'S ACTIVITIES

During fiscal year ended June 30, 2016, the Academy's net position increased by \$185,474 as compared to an increase of \$262,525 in the prior fiscal year ending June 30, 2015. This increase is primarily the result of increased revenues combined with correlated overall spending. Asset balances grew by \$146,006 while liability balances declined by \$39,468. The increase in asset balances originates from the increase in Capital Assets related to construction in progress of a building to house the future high school grade levels which began construction during fiscal year 2015-16.

Banning Lewis Ranch Academy
Management’s Discussion and Analysis
For Fiscal Year Ended June 30, 2016

A. Results of Operations:

For the fiscal year ended June 30, 2015 and 2016, the Academy wide results of operations were:

	Governmental Activities				Business-type Activities				Total			
	2015		2016		2015		2016		2015		2016	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
General revenue:												
State and District aid - all sources	\$4,778,279	94.35%	\$5,190,333	94.42%	\$0	0.00%	\$0	0.00%	\$4,778,279	84.96%	\$5,190,333	85.16%
Other	11,017	0.22%	1,863	0.03%	559,881	100.00%	597,769	100.00%	570,898	10.15%	599,632	9.84%
Total general revenue	4,789,296	94.57%	5,192,196	94.46%	559,881	100.00%	597,769	100.00%	5,349,177	95.11%	5,789,965	95.00%
Program revenue:												
Charges for services	103,293	2.04%	83,039	1.51%	0	0.00%	0	0.00%	103,293	1.84%	83,039	1.36%
Operating grants - federal and state	171,845	3.39%	221,711	4.03%	0	0.00%	0	0.00%	171,845	3.06%	221,711	3.64%
Total program revenue	275,138	5.43%	304,750	5.54%	0	0.00%	0	0.00%	275,138	4.89%	304,750	5.00%
Total revenue	5,064,434	100.00%	5,496,946	100.00%	559,881	100.00%	597,769	100.00%	5,624,315	100.00%	6,094,715	100.00%
Expenses:												
Instruction and instructional services	2,558,323	53.43%	2,599,865	48.65%	0	0.00%	0	0.00%	2,558,323	47.71%	2,599,865	44.00%
Support services	2,229,647	46.57%	2,743,921	51.35%	0	0.00%	0	0.00%	2,229,647	41.58%	2,743,921	46.43%
Interest on long-term debt	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Building Corporation	0	0.00%	0	0.00%	573,820	100.00%	565,455	100.00%	573,820	10.70%	565,455	9.57%
Total expenses	4,787,970	100.00%	5,343,786	100.00%	573,820	100.00%	565,455	100.00%	5,361,790	100.00%	5,909,241	100.00%
Increase (decrease) in net position	\$276,464		\$153,160		(\$13,939)		\$32,314		\$262,525		\$185,474	

B. Per Pupil Revenue (PPR)

The Academy’s PPR funding is determined by the following variables:

Per Pupil Funding: Annually, the State and the District sets the per pupil funding based on a base funding amount as adjusted by a number of factors including a cost-of-living factor and an At-Risk demographics factor. The Banning Lewis Ranch Academy PPOR was \$ 6,689 per student for the 2014-15 school year and \$ 7,107 for the 2015-16 school year.

Student Enrollment: The Academy’s student enrollment for the fall count of the 2014-15 was 748 students as compared 754 students for the fall of 2015-16. To calculate total state aid to be provided by the District funded PPR, enrollment is multiplied by the Academy’s per pupil funding. It should be noted that Kindergarten students are only funded at 58% of the pupil allocation. The funded full time equivalent (FTE) student count after adjusting out .42 FTE for each kindergarten student was 714.4 students for 2014-15 and 717.56 for 2015-16.

C. Major Fund Budgetary Highlights

General Fund Operations

The Academy’s only major governmental type fund is the General Fund. Revenues and other financing sources from General Fund operations exceeded Expenditures and other financing uses by \$114,664 for the fiscal year ended June 30, 2016. Some budgetary highlights are as

Banning Lewis Ranch Academy
 Management's Discussion and Analysis
 For Fiscal Year Ended June 30, 2016

follows:

Final Budget vs. Actual

<u>Fiscal Year</u>	<u>Final Budget</u>	<u>Final Actual</u>
Revenues and Other Financing Sources		
2014-2015	5,007,237	5,064,435
2015-2016	5,378,715	5,496,947
Expenditures and Other Financing Sources		
2014-2015	4,997,091	4,772,397
2015-2016	5,370,413	5,382,283

Original vs. Final Budget

As a matter of practice, the Academy amends its budget periodically as needed during the school year. For the fiscal year 2015-16, the budget was amended on April 19, 2016. The April 19, 2016 budget amendment was the final budget for the fiscal year. The Academy Board does not budget for expenditures covered by grants or the grant revenue until an award allocation is received. The General Fund does not budget for debt financed capital outlays, if applicable, in the original budget.

Changes from Original to Final General Budget

Revenues and Other Financing Sources

Total Revenues Original Budget	\$5,248,793
Total Revenues Final Budget	<u>5,378,715</u>
Increase in Budgeted Revenues	\$129,922

The Academy's final general fund revenues were greater than the final budget by \$118,232 a variance of 2.12%.

Banning Lewis Ranch Academy
Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2016

The following are the significant changes in revenues from the original budget:

Increase in Per Pupil Funding from 2015 of \$413 per pupil.

Increase in Operating Grant Revenues

Expenditures and Other Financing Sources:

The Academy's budget for expenditures changed as follows during the year:

Total Expenditures Original Budget	5,236,854
Total Expenditures Final Budget	<u>5,370,413</u>
Increase in Expenditures	<u>133,559</u>

The Academy's actual expenditures were greater than final budget by \$11,870, a variance of less than 0.5%

The following were the most significant changes in expenditures from the original budget:

The addition of a Head of School and Principal positions – Full-time with benefits

D. Proprietary Fund Highlights

The Banning Lewis Ranch Academy Building Company, LLC, a business type component unit included in the fund financial statements, receives lease income from the Academy and in turn uses those receipts to fund the debt reserves and make scheduled debt service payments in accordance with the facility financing arrangement. The scheduled lease payments are designed to provide sufficient cash flow to fund the required debt service and reserves. As explained earlier under FINANCIAL ANALYSIS OF THE ACADEMY'S ACTIVITIES, certain timing differences related to depreciation and debt retirement as well as the use of capitalized interest have caused the Academy to incur losses. Due to the temporary nature of those differences, it is expected that the losses will reverse themselves over the life of the facility financing arrangement.

CAPITAL ASSETS AND DEBT ADMINISTRATION

A. Capital Assets

The Academy's net investment in capital assets increased by \$ 234,218 during the fiscal year. Capital asset additions of \$422,663 included technology for use in the instructional and administrative programs, building renovations to office space and construction in progress costs for the addition of a high school. This can be summarized as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Depreciable capital assets	7,263,020	422,663		7,685,683
Less: Accumulated depreciation	<u>(1,942,728)</u>	<u>(188,445)</u>	<u> </u>	<u>(2,131,173)</u>
Net investments in capital assets	<u>\$5,320,292</u>	<u>\$234,218</u>	<u>\$0</u>	<u>\$5,554,510</u>

For more information on capital assets, refer to Note 5 in the basic financial statements.

B. Depreciation Expense

GASB 34 requires governmental entities to maintain a record of annual depreciation expense and accumulated depreciation. The net increase in accumulated depreciation expense is a reduction in net position in the governmental-wide financial statements. Depreciation is not recognized in the governmental fund financial statements and has been noted as a reconciling item in the Academy's financial statements.

For the fiscal year ended June 30, 2016, the net increase in accumulated depreciation was \$188,445.

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of assets. In accordance with U.S. generally accepted accounting principles (GAAP), depreciation expense is recorded based on the original cost of the asset, less an estimated salvage value.

C. Debt, Principal Payments

The Academy’s building company unit issued debt in 2006 to fund the acquisition and construction of the facility being used. A summary of long-term debt service activities is a follows.

	Balance 6/30/2015	New Financings	Principal Payments	Balance 6/30/2016
Loans payable	7,115,000		160,000	6,955,000

ECONOMIC FACTORS AND NEXT’S YEAR BUDGET

The Preliminary Budget for 2016-17 Fiscal Year was adopted by the Board of Directors in April 2016. Few definite factors were known as the budget was being drafted, and others were unknown and needed to be projected with management’s best estimates based on feedback from the State, the District and the community. Some key factors and estimates used in the 2016-17 preliminary budget process include:

- The Academy’s PPR funding had been estimated to be \$ 7,011 per pupil;
- Enrollment projections of 800, students in grades K-8 with a funded FTE of 759.68;
- Teaching staff, at maximum, would provide one teacher for every 25 students;
- Benefit costs would be based on group coverage rates through same providers the Academy used in FY 2015-16.

CONTACTING THE ACADEMY’S MANAGEMENT

This financial report is designed to provide our citizens and taxpayers with a general overview of the Academy’s finances. If you have questions about this report or need additional information, contact the Administration Office, Banning Lewis Ranch Academy, 7094 Cottonwood Tree Drive, Colorado Springs, Colorado.

BASIC FINANCIAL STATEMENTS

BANNING LEWIS RANCH ACADEMY
STATEMENT OF NET POSITION
JUNE 30, 2016

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 2,015,920	\$ -	\$ 2,015,920
Restricted cash and cash equivalents	-	963,004	963,004
Intergovernmental receivable	27,217	-	27,217
Internal balances	392,190	(392,190)	-
Prepaid expenses	30,747	-	30,747
Capital assets, net	264,126	5,290,384	5,554,510
	<u>2,730,200</u>	<u>5,861,198</u>	<u>8,591,398</u>
LIABILITIES			
Accounts payable	211,259	-	211,259
Accrued salaries and benefits	153,109	-	153,109
Payable to agency fund	120,881	-	120,881
Accrued interest payable	-	17,458	17,458
Long-term liabilities			
Due within one year			
Notes payable	-	170,000	170,000
Due in more than one year			
Notes payable	-	6,785,000	6,785,000
	<u>485,249</u>	<u>6,972,458</u>	<u>7,457,707</u>
NET POSITION			
Net investment in capital assets	264,126	(1,994,226)	(1,730,100)
Restricted for:			
TABOR	165,000	-	165,000
Repairs and replacements	-	226,875	226,875
Debt service	-	656,091	656,091
Unrestricted	1,815,825	-	1,815,825
	<u>1,815,825</u>	<u>-</u>	<u>1,815,825</u>
Total net position (deficit)	<u>\$ 2,244,951</u>	<u>\$ (1,111,260)</u>	<u>\$ 1,133,691</u>

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

**BANNING LEWIS RANCH ACADEMY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Governmental activities:							
Instruction	\$ 2,599,865	\$ 60,764	\$ 36,218	\$ 185,493	\$ (2,317,390)	\$ -	\$ (2,317,390)
Supporting services							
Pupil services	279,066	-	-	-	(279,066)	-	(279,066)
Instructional staff	351,285	-	-	-	(351,285)	-	(351,285)
General administration	290,621	-	-	-	(290,621)	-	(290,621)
School administration	538,361	-	-	-	(538,361)	-	(538,361)
Business services	199,870	-	-	-	(199,870)	-	(199,870)
Operation and maintenance	973,990	22,275	-	-	(951,715)	-	(951,715)
Central support services	78,369	-	-	-	(78,369)	-	(78,369)
Other services	32,359	-	-	-	(32,359)	-	(32,359)
Total governmental activities	<u>5,343,786</u>	<u>83,039</u>	<u>36,218</u>	<u>185,493</u>	<u>(5,039,036)</u>		<u>(5,039,036)</u>
Business-type activities:							
Building Company	565,455	-	-	-		(565,455)	(565,455)
Total	<u>\$ 5,909,241</u>	<u>\$ 83,039</u>	<u>\$ 36,218</u>	<u>\$ 185,493</u>		<u>(565,455)</u>	<u>(5,604,491)</u>
General revenues:							
Property taxes					90,907	-	90,907
Per pupil revenue					5,099,426	-	5,099,426
Earnings on investments					624	1,859	2,483
Other revenues					1,239	595,910	597,149
Total general revenues					<u>5,192,196</u>	<u>597,769</u>	<u>5,789,965</u>
Change in net position					<u>153,160</u>	<u>32,314</u>	<u>185,474</u>
Net position - beginning (deficit)					<u>2,091,791</u>	<u>(1,143,574)</u>	<u>948,217</u>
Net position - ending (deficit)					<u>\$ 2,244,951</u>	<u>\$ (1,111,260)</u>	<u>\$ 1,133,691</u>

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

**BANNING LEWIS RANCH ACADEMY
BALANCE SHEET
GENERAL FUND
JUNE 30, 2016**

ASSETS

Cash and cash equivalents	\$ 2,015,920
Intergovernmental receivable	27,217
Due from other funds	392,190
Prepaid expenses	<u>30,747</u>
 Total assets	 <u><u>\$ 2,466,074</u></u>

LIABILITIES

Accounts payable	\$ 211,259
Accrued salaries and benefits	153,109
Payable to agency fund	<u>120,881</u>
 Total liabilities	 <u>485,249</u>

FUND BALANCES

Nonspendable	30,747
Restricted for TABOR	165,000
Unassigned	<u>1,785,078</u>
 Total fund balances	 <u>1,980,825</u>

Total liabilities and fund balances	<u><u>\$ 2,466,074</u></u>
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The accompanying notes are an integral part of these financial statements.

**BANNING LEWIS RANCH ACADEMY
RECONCILIATION OF THE GENERAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2016**

Amounts reported for governmental activities in the Statement of Net Position are different because:

Total fund balances - general fund	\$ 1,980,825
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds, but are reported in the governmental activities of the Statement of Net Position.	264,126
Net position of governmental activities in the statement of net position	<u><u>\$ 2,244,951</u></u>

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

BANNING LEWIS RANCH ACADEMY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

REVENUES

Local sources	\$ 175,977
State sources	5,296,872
Federal sources	<u>24,098</u>
 Total revenues	 <u>5,496,947</u>

EXPENDITURES

Instruction	2,638,362
Pupil services	279,066
Instructional staff	351,285
General administration	290,621
School administration	538,361
Business services	199,870
Operation and maintenance	973,990
Central support services	78,369
Other services	<u>32,359</u>

Total expenditures	<u>5,382,283</u>
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Net change in fund balance	114,664
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Fund balance - beginning	<u>1,866,161</u>
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Fund balance - ending	<u><u>\$ 1,980,825</u></u>
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The accompanying notes are an integral part of these financial statements.

**BANNING LEWIS RANCH ACADEMY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balance - general fund:	\$	114,664
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

		38,496
		<hr style="border-top: 1px solid black;"/>

Change in net position of governmental activities	\$	153,160
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The accompanying notes are an integral part of these financial statements.

**BANNING LEWIS RANCH ACADEMY
STATEMENT OF NET POSITION
ENTERPRISE FUND
JUNE 30, 2016**

	Building Co.
ASSETS	
Noncurrent Assets:	
Restricted cash and cash equivalents	\$ 963,004
Capital assets, net	5,290,384
Total noncurrent assets	6,253,388
Total assets	6,253,388
 LIABILITIES	
Current Liabilities:	
Due to other funds	392,190
Accrued interest	17,458
Notes payable current portion	170,000
Total current liabilities	579,648
Noncurrent Liabilities:	
Note payable	6,785,000
Total noncurrent liabilities	6,785,000
Total liabilities	7,364,648
 NET POSITION	
Net investment in capital assets	(1,994,226)
Restricted for:	
Repairs and replacements	226,875
Debt service	656,091
Total net position (deficit)	\$ (1,111,260)

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

**BANNING LEWIS RANCH ACADEMY
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION
ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2016**

	Building Co.
OPERATING REVENUES	
Rental income	\$ 595,910
Total operating revenues	595,910
OPERATING EXPENSES	
Interest expense	431,567
Total operating expenses	431,567
Net operating income (loss)	164,343
NON-OPERATING REVENUES (EXPENSES)	
Investment income	1,859
Depreciation and amortization expense	(133,888)
Total non-operating revenues (expenses)	(132,029)
Change in net position	32,314
Net position - beginning (deficit)	(1,143,574)
Net position - ending (deficit)	\$ (1,111,260)

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

**BANNING LEWIS RANCH ACADEMY
STATEMENT OF CASH FLOWS
ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2016**

	Building Co.
CASH FLOWS FROM OPERATING ACTIVITIES	
Lease payments received	\$ 595,910
Loan interest paid	(430,894)
Other cash payments	(1,075)
Net cash provided (used) by operating activities	163,941
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Advances to other funds	1,075
Net cash provided (used) by non-capital financing activities	1,075
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Loan principal payments	(160,000)
Net cash provided (used) by capital and related financing activities	(160,000)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income	1,859
Net cash provided (used) by investing activities	1,859
Net increase (decrease) in cash and cash equivalents	6,875
Cash and cash equivalents - beginning	956,129
Cash and cash equivalents - ending	\$ 963,004
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ 164,343
Changes in assets and liabilities:	
<i>Increase (decrease) in:</i>	
Accrued expenses	(402)
Net cash provided (used) by operating activities	\$ 163,941

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

BANNING LEWIS RANCH ACADEMY
STATEMENT OF NET POSITION
FIDUCIARY FUND
JUNE 30, 2016

	<u>Agency Fund</u>
ASSETS	
Due from other funds	\$ 120,881
Total assets	<u>120,881</u>
LIABILITIES	
Due to student organizations	<u>120,881</u>
Total liabilities	<u>\$ 120,881</u>

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

NOTES TO FINANCIAL STATEMENTS

**BANNING LEWIS RANCH ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Banning Lewis Ranch Academy (the School) began operations on January 9, 2006, pursuant to the Colorado Charter Schools Act, to form and operate a charter school within Falcon School District 49 (the District). The School started admitting students in September 2006.

The financial statements of Banning Lewis Ranch Academy have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the School are described below.

A. REPORTING ENTITY

The accompanying financial statements present the School and its component units, entities for which the government is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government.

Blended component unit. Banning Lewis Ranch Academy Building Company, LLC (the Building Company) was organized for the purpose of 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 Building Company has no financial balances or transactions outside of those reported by the School, and therefore, are not reported separately in the financial statements. The Building Company does not issue separate financial statements.

The School is considered a component unit of the District. The School is deemed to be fiscally dependent upon the District, because the District provides the majority of support to the School in the form of per pupil operating revenue. The School operates under a charter with the District. The current charter runs through June 30, 2037 at which time the School may seek renewal of its charter in accordance with procedures set forth in state law and school district policy and regulations.

B. BASIS OF PRESENTATION – GOVERNMENT-WIDE FINANCIAL STATEMENTS

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the government. *Governmental activities* are normally supported by per pupil revenue and intergovernmental revenues. *Business-type activities* rely to a significant extent on fees and charges to external customers for support. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

BANNING LEWIS RANCH ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. BASIS OF PRESENTATION – FUND FINANCIAL STATEMENTS

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. A fund is an independent fiscal accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds maintained by the District is consistent with legal and managerial requirements.

The emphasis of fund financial statements is on major governmental and enterprise funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The School reports the following major governmental fund:

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

The School reports the following major proprietary fund:

Enterprise Funds are used to account for those operations financed and operated in a manner similar to a private business or where the board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. The Building Company is accounted for as an enterprise fund.

Additionally, the School reports the following fund type:

Fiduciary Funds account for assets held by the government in a trustee capacity or as an agent on behalf of others. The School has one fiduciary fund:

The *Agency Fund* is custodial in nature and does not present results of operations or a measurement focus. Agency funds are accounted for using the accrual basis of accounting. This fund is used to account for assets that the government holds for others in an agency capacity.

BANNING LEWIS RANCH ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. BASIS OF PRESENTATION – FUND FINANCIAL STATEMENTS (CONTINUED)

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue in the fiscal year in which 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 collectible within the period or soon enough thereafter to pay liabilities of the current fiscal period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and claims and judgments are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

BANNING LEWIS RANCH ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

Intergovernmental revenues and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants recognize revenue when the qualifying expenditures have been incurred and all other grant requirements have been met, and the amount is received during the period or within the availability period of this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary fund is reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The agency fund has no measurement focus but utilizes the *accrual basis of accounting* for reporting its assets and liabilities.

E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE

Cash and cash equivalents

Cash and cash equivalents include cash on hand and in the bank and short-term investments with original maturities of three months or less from the date of acquisition.

Receivables

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

Prepaid expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital assets

Capital assets, which include buildings, improvements, and furniture and equipment, are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. The capitalization level for equipment is \$1,500. Donated capital assets are valued at their estimated fair market value on the date received. Major outlays for capital assets and improvements are capitalized as projects are constructed.

The costs of normal maintenance and repairs that do not add to the value of the asset, or materially extend asset lives, are not capitalized. Improvements are capitalized and are depreciated over the remaining useful lives of the related capital assets or remaining period of the lease, as applicable.

Interest incurred during the construction phase of capital assets of enterprise funds is included as part of the capitalized value of the assets constructed.

BANNING LEWIS RANCH ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE (CONTINUED)

Capital assets (continued)

Equipment and leasehold improvements of the government are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	20 to 50 years
Furniture and equipment	5 to 10 years

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Long-term liabilities

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize premiums and discounts, as well as issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Net position flow assumption

The School may fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted—net position and unrestricted—net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the School’s policy to consider restricted—net position to have been depleted before unrestricted—net position is applied.

BANNING LEWIS RANCH ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND
NET POSITION/FUND BALANCE (CONTINUED)*

Fund balance classification

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

Nonspendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.

Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action that was used when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned – This classification includes amounts that are constrained by the School's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Directors or through the Board of Directors delegating this responsibility to management through the budgetary process. This classification also includes the remaining positive fund balance for any governmental funds except for the General Fund.

Unassigned – This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The School would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

**BANNING LEWIS RANCH ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. REVENUES AND EXPENDITURES/EXPENSES

Program revenues

Amounts reported as *program revenues* include 1) charges to customers for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as programs revenues. Likewise, general revenues include all state equalization.

Compensated absences

It is the School's policy to permit employees to accumulate vacation time. Accrued vacation time may not be carried into the next fiscal year; therefore, a liability for these benefits has not been reflected in these financial statements.

Proprietary funds operating and non-operating revenues and expenses

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the School's enterprise fund is rental income. Operating expenses for the enterprise fund includes interest expense. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

G. ESTIMATES

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

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGET INFORMATION

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all funds. All annual appropriations lapse at fiscal year end. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year and actual data for the preceding year.

**BANNING LEWIS RANCH ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

A. BUDGET INFORMATION (CONTINUED)

Budgets are required by Colorado State Statute for all funds. During April, management submits to the Board of Directors a proposed budget for all funds for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them. Public hearings are conducted by the Board of Directors to obtain taxpayer comments. Prior to June 30, the budget is adopted by formal resolution.

Formal budgetary integration is employed as a management control device during the year for the Governmental funds. The appropriated budget is prepared by fund. The legal level of control is the fund level.

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.

Appropriations are based on total funds expected to be available in each budget year, including beginning fund balances and reserves as established by the Board of Directors. Variances between budget and actual result from the non-expenditure of reserves, nonoccurrence of anticipated events, and normal operating variances. The Board of Directors may authorize supplemental appropriations during the year. For budgetary management purposes, funds are appropriated for capital outlays.

B. EXCESS OF EXPENDITURES OVER APPROPRIATION

For the year ended June 30, 2016, expenditures exceeded appropriations in the General Fund by \$11,870. These over expenditures were funded by greater than anticipated revenues.

NOTE 3 – DEPOSITS AND INVESTMENTS

Cash deposits with financial institutions

Custodial credit risk—deposits. Custodial credit risk is the risk that, in the event of a bank failure, the School's deposits might not be recovered. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government 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. 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 the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

The carrying amount of the School's deposits at June 30, 2016 was \$2,015,920 and the bank balances were \$2,098,436. Of the bank balances, \$250,000 was covered by federal deposit insurance and \$1,848,436 was uninsured but collateralized in accordance with the provisions of the PDPA. The collateral is pooled and held in trust for all uninsured deposits as a group.

**BANNING LEWIS RANCH ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

Investments

Credit Risk

The School is authorized by Colorado statutes to invest in the following:

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

State law limits investments to those described above. The School does not have an investment policy that would further limit its investment choices.

At June 30, 2016 the School's investment balances were as follows:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
CSAFE	Less than 60 days	\$ <u>963,004</u>

The Colorado Surplus Asset Fund Trust (CSAFE) is an investment vehicle established for local government entities in Colorado to pool surplus funds. The Colorado Division of Securities administers and enforces the requirement of creating and operating CSAFE. CSAFE is rated AAAM by the Standard and Poor's Corporation. Investments of CSAFE are limited to those allowed by State Statutes. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. The custodian's internal records identify the investments owned by the participating governments.

All of the investment balances were restricted for debt service and building repairs and replacements.

Interest Rate Risk: State law limits maturities for US Treasuries and US Agencies to no more than five years from the date of purchase. The School does not have a formal investment policy that would further limit investment maturities as a means of managing its exposure to fair value losses from increasing interest rates.

**BANNING LEWIS RANCH ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 4 – INTERFUND RECEIVABLES AND PAYABLES

All interfund receivables and payables are created in conjunction with the School’s pooled cash account. Balances are routinely cleared as a matter of practice.

The composition of interfund balances at June 30, 2016 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Building Company	<u>\$ 392,190</u>

The primary government had \$120,881 due to the Agency fund at June 30, 2016.

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<i>Governmental Activities</i>				
Depreciable assets:				
Furniture and equipment	\$ 864,477	\$ 93,053	\$ -	\$ 957,530
Less accumulated depreciation for:				
Furniture and equipment	<u>638,847</u>	<u>54,557</u>	<u>-</u>	<u>693,404</u>
<i>Governmental activities capital assets, net</i>	<u>\$ 225,630</u>	<u>\$ 38,496</u>	<u>\$ -</u>	<u>\$ 264,126</u>
<i>Business-type Activities</i>				
Depreciable assets:				
Building and improvements	\$ 6,027,522	\$ -	\$ -	\$ 6,027,522
Furniture and equipment	371,021	-	-	371,021
Construction in progress	<u>-</u>	<u>329,610</u>	<u>-</u>	<u>329,610</u>
Total depreciable assets	<u>6,398,543</u>	<u>329,610</u>	<u>-</u>	<u>6,728,153</u>
Less accumulated depreciation for:				
Building and improvements	1,071,881	121,330	-	1,193,211
Furniture and equipment	<u>232,000</u>	<u>12,558</u>	<u>-</u>	<u>244,558</u>
Total accumulated depreciation	<u>1,303,881</u>	<u>133,888</u>	<u>-</u>	<u>1,437,769</u>
<i>Business-type activities capital assets, net</i>	<u>\$ 5,094,662</u>	<u>\$ 195,722</u>	<u>\$ -</u>	<u>\$ 5,290,384</u>

Depreciation expense was charged to functions/programs of governmental activities as follows:

<i>Governmental activities</i>	
Instruction	<u>\$ 54,557</u>

**BANNING LEWIS RANCH ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 6 – LONG-TERM LIABILITIES

Building Company Loan

Principal
Balance

On June 23, 2006 the Colorado Educational and Cultural Facilities Corporation (CECFA) issued \$8,000,000 Charter School Revenue Bonds, Series, 2006. Bond proceeds were loaned to the Building Company under a mortgage and loan agreement to finance the building purchase and improvements. The School is obligated under a lease agreement to make monthly lease payments to the Building Company for use of the facilities. The Building Company is required to make loan payments to the Trustee, for payment of the bonds. Interest payments are made in semi-annual installments at an interest rate of 6.125%. Principal payments are due annually on December 15 through 2035.

\$ 6,955,000

Annual debt service requirements to maturity for the note payable are as follows:

Fiscal Year <u>Ending June 30</u>	Business-Type Activities	
	<u>Principal</u>	<u>Interest</u>
2017	170,000	420,788
2018	180,000	410,069
2019	190,000	398,737
2020	205,000	386,641
2021	215,000	373,778
2022 – 2026	1,295,000	1,647,165
2027 – 2031	1,745,000	1,184,728
2032 – 2036	2,955,000	543,747
Total	<u>\$ 6,955,000</u>	<u>\$ 5,365,653</u>

Long-term liability activity for the year ended June 30, 2016 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<u>Business-type activities:</u>					
Note payable	<u>\$ 7,115,000</u>	<u>\$ -</u>	<u>\$ 160,000</u>	<u>\$ 6,955,000</u>	<u>\$ 170,000</u>

BANNING LEWIS RANCH ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 7 – OPERATING LEASES

On May 30, 2014, the School entered into a lease agreement as lessee for financing copier equipment. The lease requires payments of \$1,873 per month. The lease expense for the year ended June 30, 2016 was \$25,518.

On May 30, 2014, the School entered into a lease for a custom print program which qualifies as an operating lease. The lease term will terminate on May 30, 2017. The lease requires payments of \$750 per month. The rental expense for the year ended June 30, 2016 was \$19,119.

NOTE 8 – MANAGEMENT AGREEMENT

On June 19, 2015 the School executed a consent agreement which assigned all of its prior management company's rights, title and interest in a 2005 management agreement to Pansophic, a designee of Tatonka Capital Corporation (Tatonka). Pansophic assumed all of the prior management company's duties and obligations under that agreement following the assignment. In January 2016 a new management agreement was executed with Accel Schools Colorado LLC (ACCEL).

Under the terms of the new agreement, the School is required to pay ACCEL an annual fee for services performed. The fee is 10% of total state equalization and state and federal grants received for the year. The administrative fees earned by ACCEL for the year ended June 30, 2016 were \$524,803.

NOTE 9 - RISK MANAGEMENT

The School is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The School carries commercial insurance for these risks of loss, including worker's compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage during the last three fiscal years.

NOTE 10 – CONCENTRATION OF RISK

The School is funded directly by Falcon School District 49 (the District) based on the District's per pupil funding. For the fiscal year ended June 30, 2016, this funding along with pass-through grant funding accounted for approximately 97% of the School's revenues.

**BANNING LEWIS RANCH ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 11 - COMMITMENTS AND CONTINGENCIES

GRANTS

The School has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to a request for reimbursement to grantor agencies for expenditures disallowed under terms of the grant. However, in the opinion of the School, any such adjustments will not have a material adverse affect on the financial position of the School.

SITE LEASE

On May 1, 2006 the Building Company entered into a site lease agreement with the District. Under the agreement, the District retains fee simple ownership of the land upon which the School's facilities are located through May 1, 2041. The Building Company will retain a leasehold interest in the land through the term of the agreement, at which time ownership of the land and facilities vests with the District. The agreement also provides that the School will retain possession of the School facilities following termination of the site lease agreement as long as the School continues to operate as a charter school.

NOTE 12 – COMPLIANCE

The School has complied with the requirements of the Financial Policies and Procedures Handbook for the 2016 audit period as required by Colorado Statute CRS 22-44-204(3).

NOTE 13 - AMENDMENT TO COLORADO CONSTITUTION

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities and other specific requirements of state and local governments.

The amendment requires emergency reserves be established. These reserves must be at least 3% of fiscal year spending. The School is not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls or salary and benefit increases. At June 30, 2016 there is a \$165,000 reservation of fund balance in the General Fund for the amendment.

The Amendment is complex and subject to judicial interpretation. The School believes it is in compliance with the requirements of the amendment. However, the School has made certain interpretations of the amendment's language in order to determine its compliance.

NOTE 14 – SUBSEQUENT EVENT

On September 13, 2016 the Colorado Educational and Cultural Facilities Authority (CECFA) issued \$28,355,000 Charter School Revenue Bonds, Series, 2016. Bond proceeds were loaned to the Building Company under a loan and security agreement to refund its Series 2006 bonds and to fund the construction of new school facilities.

REQUIRED SUPPLEMENTARY INFORMATION

BANNING LEWIS RANCH ACADEMY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Local sources:				
Other local sources	\$ 67,900	\$ 170,510	\$ 175,353	\$ 4,843
Interest on investments	2,500	2,500	624	(1,876)
Total local sources	<u>70,400</u>	<u>173,010</u>	<u>175,977</u>	<u>2,967</u>
State sources:				
State equalization	4,943,160	4,970,472	5,099,426	128,954
Capital construction grant	179,100	179,100	185,493	6,393
Other state sources	2,133	2,133	11,953	9,820
Total state sources	<u>5,124,393</u>	<u>5,151,705</u>	<u>5,296,872</u>	<u>145,167</u>
Federal sources				
Other federal sources	54,000	54,000	24,098	(29,902)
Total federal sources	<u>54,000</u>	<u>54,000</u>	<u>24,098</u>	<u>(29,902)</u>
Total revenues	<u>5,248,793</u>	<u>5,378,715</u>	<u>5,496,947</u>	<u>118,232</u>
EXPENDITURES				
Instruction	2,567,074	2,632,543	2,638,362	(5,819)
Pupil services	271,526	278,451	279,066	(615)
Instructional staff	341,793	350,510	351,285	(775)
General administration	282,768	289,980	290,621	(641)
School administration	523,815	537,174	538,361	(1,187)
Business services	194,470	199,429	199,870	(441)
Operation and maintenance	947,673	971,842	973,990	(2,148)
Central support services	76,251	78,196	78,369	(173)
Other services	31,485	32,288	32,359	(71)
Total expenditures	<u>5,236,854</u>	<u>5,370,413</u>	<u>5,382,283</u>	<u>(11,870)</u>
EXCESS OF REVENUES OVER EXPENDITURES	11,939	8,302	114,664	106,362
Fund balance - beginning	<u>1,443,968</u>	<u>1,711,690</u>	<u>1,866,161</u>	<u>154,471</u>
Fund balance - ending	<u>\$ 1,455,907</u>	<u>\$ 1,719,992</u>	<u>\$ 1,980,825</u>	<u>\$ 260,833</u>

See the accompanying Independent Auditors' Report.

OTHER SUPPLEMENTAL INFORMATION

BANNING LEWIS RANCH ACADEMY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND NET POSITION
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Beginning fund balance	\$ 876,764	\$ (1,143,574)	\$ 2,020,338
Rental income	595,910	596,161	(251)
Investment income	<u>1,859</u>	<u>1,000</u>	<u>859</u>
Total revenues	<u>1,474,533</u>	<u>(546,413)</u>	<u>2,020,946</u>
EXPENDITURES			
Operation expense	-	31,364	31,364
Debt service - principal	160,000	160,000	-
Debt service - interest	<u>431,567</u>	<u>430,893</u>	<u>(674)</u>
Total expenditures	<u>591,567</u>	<u>622,257</u>	<u>30,690</u>
EXCESS OF REVENUE OVER EXPENDITURES	882,966	<u>\$ (1,168,670)</u>	<u>\$ 1,990,256</u>
Add:			
Loan principal payment	160,000		
Less:			
Depreciation	(133,888)		
Beginning fund balance	<u>(876,764)</u>		
CHANGE IN NET POSITION	<u>\$ 32,314</u>		
Ending fund balance is calculated as follows:			
Restricted cash and cash equivalents	\$ 963,004		
Current liabilities	(250,038)		
Notes payable current portion	<u>170,000</u>		
	<u>\$ 882,966</u>		

See the accompanying Independent Auditors' Report.

BANNING LEWIS RANCH ACADEMY
SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Balance June 30, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2016</u>
ASSETS				
Due from other funds	\$ 96,851	\$ 116,187	\$ 92,157	\$ 120,881
Total assets	<u>\$ 96,851</u>	<u>\$ 116,187</u>	<u>\$ 92,157</u>	<u>\$ 120,881</u>
LIABILITIES				
Payable to student organizations	\$ 96,851	\$ 116,187	\$ 92,157	\$ 120,881
Total liabilities	<u>\$ 96,851</u>	<u>\$ 116,187</u>	<u>\$ 92,157</u>	<u>\$ 120,881</u>

See the accompanying Independent Auditors' Report.