

**MOUNTAIN VIEW CORE KNOWLEDGE  
SCHOOL**

FINANCIAL STATEMENTS  
With Independent Auditors' Report

For the Year Ended June 30, 2016



**RECEIVED**

*By Justin L. Smith at 9:11 am, Oct 25, 2016*

**MOUNTAIN VIEW CORE KNOWLEDGE SCHOOL**  
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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Mountain View Core Knowledge School

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Mountain View Core Knowledge School, a component unit of School District Fremont RE-1, as of and for the year ended June 30, 2016, which collectively comprise the School's basic financial statements as listed in the table of contents, and the related notes to the financial statements.

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

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

### *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, and each major fund of Mountain View Core Knowledge School, 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 Supplemental Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Mountain View Core Knowledge School'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 as listed in the table of contents is the responsibility of management and was derived from and relates 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  
October 7, 2016

**MOUNTAIN VIEW CORE KNOWLEDGE SCHOOL**  
**MANAGEMENT DISCUSSION AND ANALYSIS REPORT**  
**FOR FISCAL YEAR ENDED JUNE 30, 2016**

As Governing Board of Mountain View Core Knowledge School we offer readers of the School's annual financial report this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2016. Readers are encouraged to consider the information presented here in conjunction with the additional information furnished in the independent auditor's report and financial statements, which immediately follow this section.

**FINANCIAL HIGHLIGHTS**

- Total liabilities and deferred inflows of the school exceeded its total assets and deferred outflows by \$1,667,872 during the fiscal year resulting in a negative net position balance.
- The School reported a \$3,136,580 for its proportionate share of the net pension liability.
- A long-term liability of \$1,278,897 consists of a note payable for the school's building and land.
- As of the close of the current fiscal year, the School's general fund reported an ending fund balance of \$378,980, a decrease of \$46,237 from the prior year.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The discussion and analysis serves as an introduction of the School's basic financial statements. The School's basic financial statements consist of three components: (1) government-wide financial statements, (2) fund financial statements, (3) notes to the financial statements. This report also contains required and other supplementary information in addition to the basic financial statements.

**Government-wide Financial Statements**

The *government-wide financial statements* are designed to provide readers with a broad overview of the School's finances as a whole, in a manner similar to a private-sector business and include two statements:

The *statement of net position* presents information on all of the School's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School is improving or deteriorating.

The *statement of activities* presents information reporting how the School's net position changed during the most recent fiscal 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 this statement for some items that will result in cash flows in future fiscal periods. Accrued interest expense is an example of this type of item.

Both government-wide financial statements distinguish functions of the School that are principally supported by taxes and intergovernmental revenues (government activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the School include general government and School operations.

## **Fund Financial Statements**

A fund is a grouping of related accounts used to maintain control over resources segregated for specific activities or objectives. The fund financial statements provide more detailed information about the School's operations, focusing on its most significant funds, not the School as a whole.

**Governmental Funds:** The School's basic services are included in this governmental fund, which focuses on (1) how money flows into and out of the fund and (2) the balances left at year-end that are available for spending or reserves. Consequently, the governmental fund statements provide a detailed short-term view that helps determine the status of financial resources that can be spent in the near future to finance the School's programs.

Because the focus of governmental funds is narrower than that of the government-wide financial statement, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. Thus, readers may better understand the long-term impact of the School's near-term financing decisions. To facilitate this comparison between governmental funds and governmental activities, reconciliations are provided for both the governmental fund balance and the statement of revenues, expenditures, and changes in fund balance.

**Proprietary funds.** The School reports one proprietary fund, an enterprise fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The School uses an enterprise fund to account for its building lease activities. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Individual fund data for the Enterprise fund is provided in the other supplementary information in this report.

## **Notes to the financial Statement**

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

## **Required Supplementary Information**

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the School. The School adopts an annual appropriated budget for the general fund. A budgetary comparison schedule has been provided to demonstrate compliance with the budget.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of the School's financial position. In the case of the School, total liabilities and deferred inflows exceeded total assets and deferred outflows by \$1,667,872 as of June 30, 2016 resulting in a negative net position balance.

77% of the School's assets are investment in capital assets. The assets consist of buildings, vehicles, and land development.

**MOUNTAIN VIEW CORE KNOWLEDGE SCHOOL**

**Condensed Statement of Net Position**

	<b>FY 2015-16</b>	<b>FY 2014-15</b>
Current and other assets	\$545,484	\$591,146
Capital assets	1,850,242	1,832,896
Total assets	<u>2,395,726</u>	<u>2,424,042</u>
Deferred outflows of resources	<u>580,539</u>	<u>60,531</u>
Long-term liabilities	4,415,447	3,910,918
Other liabilities	168,178	219,034
Total liabilities	<u>4,583,655</u>	<u>4,129,952</u>
Deferred inflows of resources	<u>60,482</u>	<u>197</u>
<b>NET POSITION:</b>		
Net investment in capital assets	571,345	510,081
Restricted	57,000	52,400
Unrestricted	<u>(2,296,217)</u>	<u>(2,208,057)</u>
Total net position	<u><u>\$(1,667,872)</u></u>	<u><u>\$(1,645,576)</u></u>

**Condensed Statement of Activities**

	<b>FY 2015-16</b>	<b>FY 2014-15</b>
Revenues:		
Program revenues:		
Charges for services	\$238,386	\$213,996
Operating grants and contributions		
Capital grants and contributions	58,988	83,931
General revenues:		
State Equalization	1,656,709	1,528,439
Other revenues	53,490	28,164
Interest income	1,571	435
Total revenues	<u>2,009,144</u>	<u>1,854,965</u>
Expenses:		
Instruction	1,318,577	1,253,616
Support services	736,269	626,118
Food service	22,715	20,825
Facilities acquisition and construction	-	66,742
Building Corporation	129,462	137,644
Total expenses	<u>2,207,023</u>	<u>2,104,945</u>
Change in net position	(197,879)	(249,980)
Net position, beginning as restated	<u>(1,469,993)</u>	<u>(1,395,596)</u>
Net position, ending	<u><u>\$(1,667,872)</u></u>	<u><u>\$(1,645,576)</u></u>

## **ANALYSIS OF THE SCHOOL'S FUNDS**

The School uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The general fund is the operating fund of the School. The fund balance for the general fund was a surplus of \$378,980 at the end of the current fiscal year.

## **BUDGETARY HIGHLIGHTS**

The School's budget is prepared in accordance with state law. During the year the School amended its budget to correct beginning fund balance and to appropriate additional amounts to fund its programs.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

Capital assets include all capital outlays related to capital assets at the school, building and improvements, land and equipment. The School's investment in capital assets at the end of the year was \$1,763,344.

### **Debt Administration**

- At the end of the current fiscal year, the School had \$1,278,89 in debt outstanding for the buildings and land.
- Though the vision and priorities for MVCKS have stayed the course, the goals for continuous growth and innovation have served as a guiding compass for the school throughout the years. During the past five years, the school has refinanced its building lease loan a total of three times in order to better the financial stability of the school. As a part of the first refinance completed in 2009, the school was able to complete an unfinished gym, music room/stage, and cafeteria all while saving a yearly total of \$27,000. Our most recent refinance extended that yearly savings by reducing the interest rate and debt service.

## **ECONOMIC FACTORS**

- Colorado and Canon City have increased revenues from Fiscal Year 2014-15 to Fiscal Year 2015-16.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide the School's taxpayers and creditors with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Mountain View Core Knowledge School, 890 Field Avenue, Canon City, Colorado 81212.

## **BASIC FINANCIAL STATEMENTS**

**MOUNTAIN VIEW CORE KNOWLEDGE SCHOOL**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2016**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 422,526	\$ -	\$ 422,526
Restricted cash and cash equivalents	-	6,224	6,224
Accounts receivable	1,219	-	1,219
Receivable from primary government	115,515	-	115,515
Internal balance	3,263	(3,263)	-
Capital assets:			
Sites	-	474,460	474,460
Buildings and improvements	-	2,146,585	2,146,585
Vehicles	108,622	30,500	139,122
Less: accumulated depreciation	(21,724)	(888,201)	(909,925)
Total capital assets	86,898	1,763,344	1,850,242
Total assets	629,421	1,766,305	2,395,726
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred pension outflows	580,539	-	580,539
Total deferred outflows of resources	580,539	-	580,539
<b>LIABILITIES</b>			
Accrued salaries and benefits	163,543	-	163,543
Accrued interest payable	-	4,635	4,635
Long-term liabilities			
Due within one year			
Notes payable	-	53,992	53,992
Due in more than one year			
Notes payable	-	1,224,905	1,224,905
Net pension liability	3,136,580	-	3,136,580
Total liabilities	3,300,123	1,283,532	4,583,655
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred pension inflows	60,482	-	60,482
Total deferred inflows of resources	60,482	-	60,482
<b>NET POSITION</b>			
Net investment in capital assets	86,898	484,447	571,345
Restricted for TABOR	57,000	-	57,000
Unrestricted	(2,294,543)	(1,674)	(2,296,217)
Total net position	\$ (2,150,645)	\$ 482,773	\$ (1,667,872)

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

**MOUNTAIN VIEW CORE KNOWLEDGE SCHOOL**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2016**

<u>Functions/Programs</u>	<u>Program Revenue</u>			<u>Net (Expense) Revenue and Change in Net Position</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Governmental activities						
Instruction	\$ 1,318,577	\$ 127,166	\$ -	\$ (1,191,411)	\$ -	\$ (1,191,411)
Student support	86,209	-	-	(86,209)	-	(86,209)
Instructional staff	63,103	-	-	(63,103)	-	(63,103)
General administration	71,563	-	-	(71,563)	-	(71,563)
School administration	186,438	-	-	(186,438)	-	(186,438)
Business support services	16,075	-	-	(16,075)	-	(16,075)
Operating and maintenance	289,674	-	-	(289,674)	-	(289,674)
Transportation services	(324)	-	-	324	-	324
Central support services	22,209	-	-	(22,209)	-	(22,209)
Community services	1,322	-	-	(1,322)	-	(1,322)
Nutritional services	22,715	-	-	(22,715)	-	(22,715)
Facilities acquisition and construction	-	-	58,988	58,988	-	58,988
Total governmental activities	<u>2,077,561</u>	<u>127,166</u>	<u>58,988</u>	<u>(1,891,407)</u>		<u>(1,891,407)</u>
Business-type activities						
Building Corporation	129,462	111,220	-		(18,242)	(18,242)
Total	<u>\$ 2,207,023</u>	<u>\$ 238,386</u>	<u>\$ 58,988</u>	<u>(1,891,407)</u>	<u>(18,242)</u>	<u>(1,909,649)</u>
General revenues:						
State equalization				1,656,709	-	1,656,709
Earnings on investments				1,571	-	1,571
Other revenues				53,490	-	53,490
Total general revenues				<u>1,711,770</u>	<u>-</u>	<u>1,711,770</u>
Change in net position				<u>(179,637)</u>	<u>(18,242)</u>	<u>(197,879)</u>
Net position - beginning, as originally stated (deficit)				<u>(2,146,591)</u>	<u>501,015</u>	<u>(1,645,576)</u>
Prior period adjustment				<u>175,583</u>	<u>-</u>	<u>175,583</u>
Net position - beginning, as restated (deficit)				<u>(1,971,008)</u>	<u>501,015</u>	<u>(1,469,993)</u>
Net position - ending (deficit)				<u>\$ (2,150,645)</u>	<u>\$ 482,773</u>	<u>\$ (1,667,872)</u>

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

**MOUNTAIN VIEW CORE KNOWLEDGE SCHOOL  
BALANCE SHEET  
GENERAL FUND  
JUNE 30, 2016**

**ASSETS**

Cash and cash equivalents	\$ 422,526
Accounts receivable	1,219
Receivable from primary government	115,515
Due from other funds	<u>3,263</u>
Total assets	<u><u>\$ 542,523</u></u>

**LIABILITIES**

Accrued salaries and benefits	<u>\$ 163,543</u>
Total liabilities	<u>163,543</u>

**FUND BALANCES**

Restricted for TABOR	57,000
Unassigned	<u>321,980</u>
Total fund balances	<u>378,980</u>
Total liabilities and fund balances	<u><u>\$ 542,523</u></u>

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

**MOUNTAIN VIEW CORE KNOWLEDGE SCHOOL  
RECONCILIATION OF THE 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 Balance of Governmental Funds	\$	378,980
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.		86,898
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as deferred outflows of resources.		580,539
Net pension liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		(3,136,580)
Other long-term liabilities are not due and payable in the current period and, therefore, are reported as deferred inflows of resources.		<u>(60,482)</u>
Total Net Position of Governmental Activities	\$	<u><u>(2,150,645)</u></u>

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

**MOUNTAIN VIEW CORE KNOWLEDGE SCHOOL**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2016**

<b>REVENUES</b>	
State sources	\$ 1,715,697
Local sources	<u>182,227</u>
Total revenues	<u>1,897,924</u>
<b>EXPENDITURES</b>	
Instruction	1,220,228
Supporting services	
Student support	28,740
Instructional staff	15,212
General administration	71,563
School administration	157,703
Business services	16,075
Operations and maintenance	280,096
Transportation services	108,298
Central support services	22,209
Community services	1,322
Nutritional services	<u>22,715</u>
Total expenditures	<u>1,944,161</u>
Excess (deficiency) of revenues over expenditures	<u>(46,237)</u>
Net change in fund balance	(46,237)
Fund balance - beginning	<u>425,217</u>
Fund balance - ending	<u><u>\$ 378,980</u></u>

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

**MOUNTAIN VIEW CORE KNOWLEDGE SCHOOL  
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 of Governmental Funds	\$	(46,237)
<p>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 capital outlays exceeded depreciation in the current year.</p>		
		86,898
<p>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 the governmental funds.</p>		
		<u>(220,298)</u>
Change in Net Position of Governmental Activities	\$	<u><u>(179,637)</u></u>

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

**MOUNTAIN VIEW CORE KNOWLEDGE SCHOOL  
STATEMENT OF NET POSITION  
ENTERPRISE FUND  
JUNE 30, 2016**

	<u><b>Building Corp Fund</b></u>
<b>ASSETS</b>	
Current assets:	
Restricted cash	\$ 6,224
Total current assets	<u>6,224</u>
Non-current assets:	
Capital assets	2,651,545
Accumulated depreciation	<u>(888,201)</u>
Total non-current assets	<u>1,763,344</u>
Total assets	<u>1,769,568</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accrued interest payable	4,635
Due to other funds	3,263
Notes payable current portion	<u>53,992</u>
Total current liabilities	<u>61,890</u>
Noncurrent liabilities	
Note payable	<u>1,224,905</u>
Total liabilities	<u>1,286,795</u>
<b>NET POSITION</b>	
Net investment in capital assets	484,447
Restricted	
Unrestricted	<u>(1,674)</u>
Total net position	<u><u>\$ 482,773</u></u>

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

**MOUNTAIN VIEW CORE KNOWLEDGE SCHOOL**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION**  
**ENTERPRISE FUND**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	<b>Building Corp Fund</b>
<b>OPERATING REVENUES</b>	
Rental Income	\$ 111,220
Total operating revenues	111,220
<b>OPERATING EXPENSES</b>	
Interest expense	59,910
Total operating expenses	59,910
Operating income (loss)	51,310
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Depreciation	(69,552)
Total non-operating revenue (expenses)	(69,552)
Change in net position	(18,242)
Net position - beginning	501,015
Net position - ending	\$ 482,773

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

**MOUNTAIN VIEW CORE KNOWLEDGE SCHOOL  
STATEMENT OF CASH FLOWS  
ENTERPRISE FUND  
FOR THE YEAR ENDED JUNE 30, 2016**

	<u><b>Building Corp Fund</b></u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from lessee	\$ 111,220
Payments for interfund services	(815)
Interest payments on loan	<u>(60,263)</u>
Net cash provided (used) by operating activities	<u>50,142</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Principal payments on loan	<u>(51,310)</u>
Net cash provided (used) by capital and related financing activities	<u>(51,310)</u>
Net increase (decrease) in cash and cash equivalents	(1,168)
Cash and cash equivalents - beginning	<u>7,392</u>
Cash and cash equivalents - ending	<u><u>\$ 6,224</u></u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>	
Operating income (loss)	<u>\$ 51,310</u>
Change in assets and liabilities:	
Increase (decrease) in accrued interest payable	(353)
Increase (decrease) in due to other funds	<u>(815)</u>
Total adjustments	<u>(1,168)</u>
Net cash provided (used) by operating activities	<u><u>\$ 50,142</u></u>

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

## **NOTES TO FINANCIAL STATEMENTS**

**MOUNTAIN VIEW CORE KNOWLEDGE SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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

Mountain View Core Knowledge School (the School) is organized pursuant to the Colorado Charter Schools Act, to form and operate a charter school within School District Fremont RE-1 (the District). The School began operations during the 1996-97 fiscal year.

The financial statements of the School 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 financial reporting entity consists of the School and organizations for which the School is financially accountable. All funds, organizations, institutions, agencies, departments and offices that are not legally separate are part of the School. In addition, any 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 provides benefits to, or imposes financial burdens on, the School.

*Blended component unit.* Mountain View Building Corporation (the Corporation) 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 Corporation is reported as an enterprise fund and does not issue separate financial statements.

The School is considered a component unit of the District. The School's charter agreement is approved and may be terminated by the District. In addition, the School is deemed to be fiscally dependent upon the District because the District provides the majority of the support to the School in the form of per pupil operating revenue.

*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 and enterprise funds.

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.

**MOUNTAIN VIEW CORE KNOWLEDGE SCHOOL**  
**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 blended component units. Separate statements for each fund category – governmental and proprietary – 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 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:

An *Enterprise Fund* is used to account for those operations financed and operated in a manner similar to 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 Corporation is accounted for as an enterprise fund.

During the course of operations the School 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 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 (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, 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.

**MOUNTAIN VIEW CORE KNOWLEDGE SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*D. MEASUREMENT FOCUS, BASIS OF ACCOUNTING (CONTINUED)*

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 flow. Grants and similar items are recognized as revenue in the fiscal year in which all eligibility requirements imposed by the provider have been met.

The 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, as well as expenditures related to compensated absences, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

Charges for services 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*.

*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.

*Restricted Cash and Investments*

Certain cash and investments items are classified as restricted assets on the balance sheet because they are maintained in separate accounts and their use is limited by applicable trust and debt agreements.

**MOUNTAIN VIEW CORE KNOWLEDGE SCHOOL**  
**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*

Capital assets, which include buildings, leasehold improvements, and vehicles, 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 \$5,000. 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.

Land and construction in progress is not depreciated. Buildings, leasehold improvements, and vehicles of the government are depreciated using the straight-line method over the following estimated useful lives:

Buildings	50 years
Leasehold improvements	15 years
Vehicles	5 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.

*Accrued Salaries and Benefits*

Salaries and retirement benefits of certain contractually employed personnel are paid over twelve month period from August to July, but are earned during a school year of approximately nine to ten months. The salaries and benefits earned, but unpaid, are reported as a liability of the General Fund.

**MOUNTAIN VIEW CORE KNOWLEDGE SCHOOL**  
**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)*

*Long-term debt*

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 a 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 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.

*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.

**MOUNTAIN VIEW CORE KNOWLEDGE SCHOOL**  
**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 (continued)*

Assigned – This classification includes amounts that are constrained by the School’s intent to be used for a specific purpose but are neither restricted or 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.

*Pensions*

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

*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.

*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 revenues of the School’s enterprise funds are rental income. Operating expenses for enterprise funds include interest expense. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**MOUNTAIN VIEW CORE KNOWLEDGE SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*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**

*Budgetary 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.

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 balances 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.

**MOUNTAIN VIEW CORE KNOWLEDGE SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**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 government's deposits may not be returned to it. The Colorado Public Deposit Protection Act (PDPA) requires that all local government entities deposit cash in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal 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 \$6,252 and the bank balance was \$15,837. All of the bank balances were covered by federal deposit insurance.

*Investments*

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 funds;
- ◆ Guaranteed investment contracts.

Credit Risk. State law limits investments to those described above. The School does not have an investment policy that would further limit its investment choices. As of June 30, 2016, Standard & Poor's rated ColoTrust AAAM.

COLOTRUST is an investment vehicle established for local government entities in Colorado pursuant to Part 7 of Article 75 of Title 24 of the Colorado Revised Statutes, to pool surplus funds for investment purposes. These investment vehicles operate similarly to money market funds and each share is equal in value to \$1.00. The fair value of the position in the pool is the same as the value of the pool shares.

**MOUNTAIN VIEW CORE KNOWLEDGE SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)**

The designated custodial bank provides safekeeping and depository services to COLOTRUST in connection with the direct investment and withdrawal functions of COLOTRUST. Substantially all securities owned by COLOTRUST are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian’s internal records identify the investments owned by COLOTRUST. Investments of COLOTRUST consist of U.S. Treasury bills, notes and note strips, and repurchase agreements collateralized by U.S. Treasury Notes. However, the School does not categorize investments with COLOTRUST because they are not evidenced by securities that exist in physical or book entry form.

The restricted and unrestricted cash and cash equivalents at June 30, 2016 consist of the following:

	Unrestricted Cash and Cash <u>Equivalents</u>	Restricted Cash and Cash <u>Equivalents</u>	<u>Total</u>
Deposits	\$ 28	\$ 6,224	\$ 6,252
ColoTrust	<u>422,498</u>	<u>-</u>	<u>422,498</u>
Total deposits and investments	<u>\$ 422,526</u>	<u>\$ 6,224</u>	<u>\$ 428,750</u>

**NOTE 4 – INTERFUND RECEIVABLES AND PAYABLES**

All interfund receivables and payables are created in conjunction with the School’s debt service and rental payments to the Building Corporation.

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

	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 3,263	\$ -
Enterprise Fund	-	3,263

**MOUNTAIN VIEW CORE KNOWLEDGE SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**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:				
Vehicles	\$ -	\$ 108,622	\$ -	\$ 108,622
Less accumulated depreciation for:				
Vehicles	-	21,724	-	21,724
<i>Governmental activities capital assets, net</i>	<u>\$ -</u>	<u>\$ 86,898</u>	<u>\$ -</u>	<u>\$ 86,898</u>
<i>Business-type Activities</i>				
Non-depreciable assets:				
Land	\$ 474,460	\$ -	\$ -	\$ 474,460
Depreciable assets:				
Building and improvements	2,146,585	-	-	2,146,585
Vehicles	<u>30,500</u>	<u>-</u>	<u>-</u>	<u>30,500</u>
Total depreciable assets	<u>2,177,085</u>	<u>-</u>	<u>-</u>	<u>2,177,085</u>
Less accumulated depreciation for:				
Building and improvements	788,150	69,551	-	857,701
Vehicles	<u>30,500</u>	<u>-</u>	<u>-</u>	<u>30,500</u>
Total accumulated depreciation	<u>818,650</u>	<u>69,551</u>	<u>-</u>	<u>888,201</u>
Total depreciable assets, net	<u>1,358,435</u>	<u>(69,551)</u>	<u>-</u>	<u>1,288,884</u>
<i>Business-type activities capital assets, net</i>	<u>\$ 1,832,895</u>	<u>\$ (69,551)</u>	<u>\$ -</u>	<u>\$ 1,763,344</u>

**MOUNTAIN VIEW CORE KNOWLEDGE SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 6 – LONG-TERM LIABILITIES**

*Building and improvements loan*

Principal  
Balance

On October 2, 2012 Mountain View Building Corporation, Inc. took out a mortgage loan to pay off a note dated September 1, 2009 taken out to finance building additions and improvements to the School's building. The October 2, 2012 loan is in the original amount of \$1,456,900 due in monthly installments through October 02, 2017 at an interest rate of 4.50%.

\$ 1,278,897

The changes in long-term debt for the year ended June 30, 2016 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Note payable	\$ 1,330,207	\$ -	\$ 51,310	\$ 1,278,897	\$ 53,992

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

<u>Fiscal Year Ending June 30</u>	<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2017	53,992	57,228
2018	1,224,905	18,573
Total	<u>\$ 1,278,897</u>	<u>\$ 75,801</u>

**NOTE 7 - DEFINED BENEFIT PENSION PLAN**

*General Information about the Pension Plan*

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

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

**MOUNTAIN VIEW CORE KNOWLEDGE SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 7 - DEFINED BENEFIT PENSION PLAN (CONTINUED)**

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

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

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

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

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

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

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

**MOUNTAIN VIEW CORE KNOWLEDGE SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 7 - DEFINED BENEFIT PENSION PLAN (CONTINUED)**

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

	For the Year Ended December 31, 2015	For the Year Ended December 31, 2016
Employer Contribution Rate	10.15%	10.15%
Amount of Employer Contribution apportioned to the Health Care Trust Fund as specified in C.R.S. §24-51-208(1)(f)	(1.02)%	(1.02)%
Amount Apportioned to the SCHDTF	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. §24-51-411	4.20%	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. §24-51-411	4.00%	4.50%
Total Employer Contribution Rate to the SCHDTF	17.33%	18.13%

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

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the Mountain View Core Knowledge School is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from Mountain View Core Knowledge School were \$168,493 for the year ended June 30, 2016.

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

At June 30, 2016, the Mountain View Core Knowledge School reported a liability of \$3,136,580 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. Standard update procedures were used to roll forward the total pension liability to December 31, 2015. The Mountain View Core Knowledge School proportion of the net pension liability was based on Mountain View Core Knowledge School contributions to the SCHDTF for the calendar year 2015 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2015, the Mountain View Core Knowledge School's proportion was 0.0205081732 percent, which was an increase of 0.0010875861 percent from its proportion measured as of December 31, 2014.

**MOUNTAIN VIEW CORE KNOWLEDGE SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 7 - DEFINED BENEFIT PENSION PLAN (CONTINUED)**

For the year ended June 30, 2016, the Mountain View Core Knowledge School recognized pension expense of \$388,792. At June 30, 2016, the Mountain View Core Knowledge School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 41,419	\$ 131
Changes of assumptions or other inputs	-	44,325
Net difference between projected and actual earnings on pension plan investments	266,697	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	184,235	16,026
Contributions subsequent to the measurement date	88,188	N/A
Total	\$ 580,539	\$ 60,482

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2017	\$ 146,527
2018	135,327
2019	95,326
2020	54,689

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

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

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

**MOUNTAIN VIEW CORE KNOWLEDGE SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 7 - DEFINED BENEFIT PENSION PLAN (CONTINUED)**

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

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

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

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

**MOUNTAIN VIEW CORE KNOWLEDGE SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 7 - DEFINED BENEFIT PENSION PLAN (CONTINUED)**

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

<b>Asset Class</b>	<b>Target Allocation</b>	<b>10 Year Expected Geometric Real Rate of Return</b>
U.S. Equity – Large Cap	26.76%	5.00%
U.S. Equity – Small Cap	4.40%	5.19%
Non U.S. Equity – Developed	22.06%	5.29%
Non U.S. Equity – Emerging	6.24%	6.76%
Core Fixed Income	24.05%	0.98%
High Yield	1.53%	2.64%
Long Duration Gov't/Credit	0.53%	1.57%
Emerging Market Bonds	0.43%	3.04%
Real Estate	7.00%	5.09%
Private Equity	7.00%	7.15%
Total	100.00%	

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

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

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.90%.
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law, including current and estimated future AED and SAED, until the Actuarial Value Funding Ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.

**MOUNTAIN VIEW CORE KNOWLEDGE SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 7 - DEFINED BENEFIT PENSION PLAN (CONTINUED)**

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

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

*Sensitivity of the Mountain View Core Knowledge School proportionate share of the net pension liability to changes in the discount rate.* The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability	\$ 4,065,925	\$ 3,136,580	\$ 2,363,539

*Pension plan fiduciary net position.* Detailed information about the SCHDTF’s fiduciary net position is available in PERA’s comprehensive annual financial report which can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

**MOUNTAIN VIEW CORE KNOWLEDGE SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 8 - POST-EMPLOYMENT HEALTHCARE BENEFITS**

*Health Care Trust Fund*

*Plan description.* The Mountain View Core Knowledge School contributes to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer healthcare trust administered by PERA. The HCTF benefit provides a health care premium subsidy and health care programs (known as PERACare) to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the C.R.S., as amended, establishes the HCTF and sets forth a framework that grants authority to the PERA Board to contract, self-insure and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of health care subsidies. PERA issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the HCTF. That report can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

*Funding policy.* The Mountain View Core Knowledge School is required to contribute at a rate of 1.02 percent of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the Mountain View Core Knowledge School are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the years ending June 30, 2016, 2015, and 2014 the Mountain View Core Knowledge School contributions to the HCTF were \$9,688, \$8,632, and \$7,674, respectively, equal to their required contributions for each year.

**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 School District Fremont RE-1 (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 90% of the School's revenues.

**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.

**MOUNTAIN VIEW CORE KNOWLEDGE SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 12 - 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 \$57,000 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 13 – 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 14 – PRIOR PERIOD ADJUSTMENT**

During the year, it was determined that pension contributions subsequent to the measurement date and other pension outflows and inflows totaling \$175,583 were not included in the statement of net position. To correct this oversight, the beginning net position for governmental activities of a deficit \$2,146,591, as originally reported, has been increased to a deficit \$1,971,008.

**REQUIRED SUPPLEMENTARY INFORMATION**

**MOUNTAIN VIEW CORE KNOWLEDGE SCHOOL**  
**SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY AND COVERED PAYROLL**  
**JUNE 30, 2016**

	<u>2013</u>	<u>2014</u>	<u>2015</u>
School's proportion of the net pension liability (asset)	0.0183354263%	0.0194205871%	0.0205081732%
School's proportionate share of the net pension liability (asset)	\$ 2,338,679	\$ 2,632,142	\$ 3,136,580
School's covered-employee payroll	\$ 739,159	\$ 813,583	\$ 893,741
School's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	316.40%	323.52%	350.95%
Plan fiduciary net position as a percentage of the total pension liability	64.1%	62.8%	59.2%

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

\* Complete 10-year information to be presented in future years as it becomes available.

See the accompanying independent auditors' report.

**MOUNTAIN VIEW CORE KNOWLEDGE SCHOOL**  
**SCHEDULE OF EMPLOYER'S STATUTORY PAYROLL CONTRIBUTIONS AND COVERED PAYROLL**  
**JUNE 30, 2016**

	<u>2013</u>	<u>2014</u>	<u>2015</u>
Contractually required contribution	\$ 114,791	\$ 133,672	\$ 154,885
Contributions in relation to the contractually required contribution	<u>(114,791)</u>	<u>(133,672)</u>	<u>(154,885)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's covered-employee payroll	\$ 739,159	\$ 813,583	\$ 893,741
Contributions as a percentage of covered-employee payroll	15.53%	16.43%	17.33%

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

\* Complete 10-year information to be presented in future years as it becomes available.

See the accompanying independent auditors' report.

**MOUNTAIN VIEW CORE KNOWLEDGE SCHOOL**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Amounts	Variance with
	Original	Final		Final Budget - Positive (Negative)
<b>REVENUES</b>				
Local sources				
Tuition	\$ 51,650	\$ 87,000	\$ 98,259	\$ 11,259
Student activities	30,000	30,000	28,907	(1,093)
Interest on investments	500	500	1,571	1,071
Other local sources	25,000	25,000	53,490	28,490
Total local sources	<u>107,150</u>	<u>142,500</u>	<u>182,227</u>	<u>39,727</u>
State sources				
State equalization	1,566,717	1,653,285	1,656,709	3,424
Capital construction grant	40,000	56,500	58,988	2,488
Total state sources	<u>1,606,717</u>	<u>1,709,785</u>	<u>1,715,697</u>	<u>5,912</u>
Total revenues	<u>1,713,867</u>	<u>1,852,285</u>	<u>1,897,924</u>	<u>45,639</u>
<b>EXPENDITURES</b>				
Instruction	1,105,333	1,207,824	1,220,228	(12,404)
Supporting services				
Student support	26,606	26,606	28,740	(2,134)
Instructional staff	14,484	14,484	15,212	(728)
General administration	83,272	83,272	71,563	11,709
School administration	127,856	157,856	157,703	153
Business services	16,000	16,000	16,075	(75)
Operations and maintenance	253,553	281,553	280,096	1,457
Student transportation	3,000	111,622	108,298	3,324
Central support service	40,553	41,300	22,209	19,091
Community services	-	-	1,322	(1,322)
Nutritional services	15,500	15,500	22,715	(7,215)
Contingency reserve	50,585	102,323	-	102,323
Total expenditures	<u>1,736,742</u>	<u>2,058,340</u>	<u>1,944,161</u>	<u>114,179</u>
Net change in fund balance	(22,875)	(206,055)	(46,237)	159,818
Fund balance - beginning	471,349	425,217	425,217	-
Fund balance - ending	<u>\$ 448,474</u>	<u>\$ 219,162</u>	<u>\$ 378,980</u>	<u>\$ 159,818</u>

See the accompanying Independent Auditors' Report.

## **OTHER SUPPLEMENTAL INFORMATION**

**MOUNTAIN VIEW CORE KNOWLEDGE SCHOOL**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**ENTERPRISE FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

	Actual	Budget	Variance Favorable (Unfavorable)
<b>REVENUES</b>			
Beginning fund balance	\$ (1,674)	\$ -	\$ (1,674)
Rental income	111,220	112,000	(780)
Total revenues	109,546	112,000	(2,454)
<b>EXPENDITURES</b>			
Principal payments on debt	51,310	60,000	8,690
Interest expense	59,910	60,000	90
Total expenditures	111,220	120,000	8,780
<b>ENDING FUND BALANCE</b>	(1,674)	\$ (8,000)	\$ 6,326
Add:			
Principal payments on long-term debt	51,310		
Less:			
Beginning fund balance	1,674		
Depreciation	(69,552)		
<b>CHANGE IN FUND NET POSITION</b>	\$ (18,242)		
Ending fund balance is calculated as follows:			
Current assets	\$ 6,224		
Current liabilities	(61,890)		
Add current portion of notes payable	53,992		
Ending fund balance	\$ (1,674)		

See the accompanying independent auditors' report.