

PUEBLO SCHOOL FOR ARTS AND SCIENCES

BASIC FINANCIAL STATEMENTS

June 30, 2016



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FINANCIAL SECTION



JOHN CUTLER & ASSOCIATES

Board of Directors
Pueblo School of the Arts and Sciences
Pueblo, Colorado

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Pueblo School for Arts and Sciences, component unit of the Pueblo School District No. 60, 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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 and each major fund of the Pueblo School for Arts and Sciences, as of and for the year ended June 30, 2016, and the respective changes in financial position, 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, the budgetary comparison information, the schedule of the school's proportionate share, and the schedule of the school's contributions on pages 24 – 26 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.

John Luttrell & Associates, LLC

November 14, 2016

PUEBLO SCHOOL FOR ARTS AND SCIENCES
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2016

As management of Pueblo School for Arts and Sciences (the 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 annual financial report.

FINANCIAL HIGHLIGHTS

- Assets of the school exceeded its liabilities exceeded assets by (\$3,651,095) during the fiscal year resulting in a negative net position balance. This includes net pension liability of (\$5,703,484), deferred outflows related to pensions (\$834,814), and deferred inflows related to pensions (\$80,838). Absent this adjustment assets would have exceeded liabilities by \$1,298,413.
- The School's total net position decreased \$288,524 reflecting a planned spend-down of capital reserves on deferred maintenance projects.
- The School acquired capital equipment exceeding the capitalization limit and recorded capital assets, net of depreciation, of \$85,249.
- The School has no long term liabilities outstanding.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to 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, and (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 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 (governmental 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 of running a K-8 charter school in Pueblo City School District 60.

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. The School has a general fund, which is a governmental fund.

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 statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. 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 sheet and the statement of revenues, expenditures, and changes in fund balance.

Notes to the Basic Financial Statements

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, it exceeded its liabilities exceeded assets by (\$3,651,095) during the fiscal year resulting in a negative net position balance. This includes net pension liability of (\$5,703,484), deferred outflows related to pensions (\$834,814), and deferred inflows related to pensions (\$80,838). Absent this adjustment assets would have exceeded liabilities by \$1,298,413.

The School acquired capital equipment exceeding the capitalization limit and recorded capital assets net of depreciation of \$85,249. The non-capital assets of the School are held in cash and cash equivalents as of June 30, 2016.

Condensed Statement of Net Position

	<u>2016</u>	<u>2015</u>
Cash & Cash Equivalents	\$ 1,377,027	\$ 1,385,438
Accounts Receivable		10,744
Prepaid Expenses	3,528	20,438
Deferred outflows related to pensions	834,814	455,937
Capital Assets, net of Depreciation	<u>199,151</u>	<u>113,902</u>
Total assets	<u>\$ 2,414,520</u>	<u>\$ 1,986,459</u>
Accounts Payable And Unearned Revenue	\$ 111,537	\$ 78,547
Accrued Expenses	169,756	167,500
Deferred Inflows Related to Pensions	80,838	286
Noncurrent Liability-Net Pension Liability	<u>5,703,484</u>	<u>5,102,697</u>
Total liabilities	<u>6,065,615</u>	<u>5,349,030</u>
Net position:		
Capital Assets, net of Depreciation	199,151	113,902
Restricted for Emergencies	97,286	93,385
Unrestricted	<u>(3,947,532)</u>	<u>(3,569,858)</u>
Total net position	<u>(3,651,095)</u>	<u>(3,362,571)</u>
Total liabilities and net position	<u>\$ 2,414,520</u>	<u>\$ 1,986,459</u>

Condensed Statement of Changes in Net Position

	<u>2016</u>	<u>2015</u>
Revenues:		
General revenues:		
State Equalization	\$ 3,120,311	\$ 3,009,079
Program Revenue:		
Charges for Services	35,137	25,009
Operating grants and contributions	75,434	60,017
Other Revenue	21,838	14,527
Capital grants and contributions	<u>55,563</u>	<u>36,313</u>
Total revenues	<u>3,308,283</u>	<u>3,144,945</u>
Expenses:		
Instruction	2,227,489	1,851,274
Support services	<u>1,369,318</u>	<u>1,242,756</u>
Total expenses	<u>3,596,807</u>	<u>3,094,030</u>
Change in net position	(288,524)	50,915
Net position, beginning (restated in 2015)	<u>(3,362,571)</u>	<u>(3,413,486)</u>
Net position, ending	<u>\$ (3,651,095)</u>	<u>\$ (3,362,571)</u>

ANALYSIS OF THE SCHOOL'S FUNDS

As noted earlier, 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 \$1,099,262 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 primarily to reflect changes in funding.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The School acquired capital equipment exceeding the capitalization limit and recorded capital assets of \$104,339 and accumulated depreciation of \$19,090 for a net increase in capital assets of \$85,249. See Note 4 for more information.

Debt Administration

The School has no long term debt outstanding.

ECONOMIC FACTORS

- Pueblo School for Arts and Sciences is located in southern Pueblo. The State economy is stabilizing after the recent recession but the recovery is slower in Pueblo and southern Colorado. Forecasts from the Governor's Budget Office are for slow growth over time.
- State K-12 per pupil has been reduced approximately 13% between fiscal years 2009 and 201 per the State Office of Budgeting and Planning and was slightly increased for 2014-15 and 2015-16. The state forecasts that slight increases should be expected for the near future.

SCHOOL INFORMATION

- Pueblo School for Arts and Sciences is a K-8 charter school operating under the authorization of Pueblo City School District 60 since 1994. Colorado State University-Pueblo, the local undergrad/graduate university, historically provided administrative services but the School took over that responsibility July 1, 2011.
- The school maintains a steady and full enrollment of 450 funded students. This number may fluctuate slightly on student count day causing the annual operating budget to be originally based on slightly fewer students and then adjusted to actual enrollment at mid-year.

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 questions about this report or need additional financial information, contact Theresa Martinez, Pueblo School for Arts and Sciences, 2415 Jones Avenue, Pueblo, Colorado 81004.

BASIC FINANCIAL STATEMENTS

PUEBLO SCHOOL FOR ARTS AND SCIENCES

STATEMENT OF NET POSITION

As of June 30, 2016

	<u>Governmental Activities</u>	
	<u>2016</u>	<u>2015</u>
ASSETS		
Cash	\$ 1,377,027	\$ 1,385,438
Accounts Receivable	-	10,744
Prepaid Expenses	3,528	20,438
Capital Assets, Depreciated, Net of Accumulated Depreciation	<u>199,151</u>	<u>113,902</u>
TOTAL ASSETS	<u>1,579,706</u>	<u>1,530,522</u>
DEFERRED OUTFLOWS OF RESOURCES		
Related to Pensions	<u>834,814</u>	<u>455,937</u>
LIABILITIES		
Accounts Payable	57,546	1,993
Due To District	15,814	10,617
Unearned Revenues	38,177	65,937
Accrued Salaries and Benefits	169,756	167,500
Noncurrent Liability - Net Pension Liability	<u>5,703,484</u>	<u>5,102,697</u>
TOTAL LIABILITIES	<u>5,984,777</u>	<u>5,348,744</u>
DEFERRED INFLOWS OF RESOURCES		
Related to Pensions	<u>80,838</u>	<u>286</u>
NET POSITION		
Investment in Capital Assets	199,151	113,902
Restricted for Emergencies	97,286	93,385
Unrestricted	<u>(3,947,532)</u>	<u>(3,569,858)</u>
TOTAL NET POSITION	<u>\$ (3,651,095)</u>	<u>\$ (3,362,571)</u>

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

PUEBLO SCHOOL FOR ARTS AND SCIENCES

STATEMENT OF ACTIVITIES
Year Ended June 30, 2016

FUNCTIONS/PROGRAMS	Expenses	PROGRAM REVENUES			Net Expense (Revenue) and Change in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
					2016	2015
PRIMARY GOVERNMENT						
Governmental Activities						
Instructional	\$ 2,227,489	\$ 39,450	\$ 40,516	\$ -	\$ (2,147,523)	\$ (1,789,227)
Supporting Services	1,369,318	-	34,918	55,563	(1,278,837)	(1,183,464)
Total Governmental Activities	<u>\$ 3,596,807</u>	<u>\$ 39,450</u>	<u>\$ 75,434</u>	<u>\$ 55,563</u>	(3,426,360)	(2,972,691)
GENERAL REVENUES						
					3,120,311	3,009,079
					17,525	14,527
					<u>3,137,836</u>	<u>3,023,606</u>
					(288,524)	50,915
					<u>(3,362,571)</u>	<u>(3,413,486)</u>
					<u>\$ (3,651,095)</u>	<u>\$ (3,362,571)</u>

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

PUEBLO SCHOOL FOR ARTS AND SCIENCES

BALANCE SHEET
GENERAL FUND
June 30, 2016

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash	\$ 1,377,027	\$ 1,385,438
Accounts Receivable	-	10,744
Prepaid Expenses	<u>3,528</u>	<u>20,438</u>
TOTAL ASSETS	<u><u>\$ 1,380,555</u></u>	<u><u>\$ 1,416,620</u></u>
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts Payable	\$ 57,546	\$ 1,993
Due To District	15,814	10,617
Unearned Revenues	38,177	65,937
Accrued Salaries and Benefits	<u>169,756</u>	<u>167,500</u>
TOTAL LIABILITIES	<u>281,293</u>	<u>246,047</u>
FUND BALANCE		
Fund Balance		
Nonspendable	3,528	20,438
Restricted for Emergencies	97,286	93,385
Unassigned	<u>998,448</u>	<u>1,056,750</u>
TOTAL FUND BALANCE	<u>1,099,262</u>	<u>1,170,573</u>
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in the governmental activities are not financial resources, and therefore, are not reported in the funds.	199,151	113,902
Long-term liabilities and related assets related to pensions are not due and payable in the current period and therefore, are not reported in the funds. This liability includes net pension liability (\$5,703,484) deferred outflows related to pensions \$834,814 and deferred inflows related to pensions (\$80,838).	<u>(4,949,508)</u>	<u>(4,647,046.00)</u>
Net position of governmental activities	<u><u>\$ (3,651,095)</u></u>	<u><u>\$ (3,362,571)</u></u>

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

PUEBLO SCHOOL FOR ARTS AND SCIENCES

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

	<u>2016</u>	<u>2015</u>
REVENUES		
Local Sources	\$ 3,212,204	\$ 3,071,594
State and Federal Sources	<u>96,079</u>	<u>73,351</u>
TOTAL REVENUES	<u>3,308,283</u>	<u>3,144,945</u>
EXPENDITURES		
Current		
Instruction	1,993,924	1,871,091
Supporting Services	<u>1,385,670</u>	<u>1,338,437</u>
TOTAL EXPENDITURES	<u>3,379,594</u>	<u>3,209,528</u>
NET CHANGE IN FUND BALANCES	(71,311)	(64,583)
FUND BALANCES, Beginning	<u>1,170,573</u>	<u>1,235,156</u>
FUND BALANCES, Ending	<u>\$ 1,099,262</u>	<u>\$ 1,170,573</u>

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

PUEBLO SCHOOL FOR ARTS AND SCIENCES

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2016

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

Net change in fund balances - total governmental funds	\$ (71,311)
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 outlay \$104,339 exceeds depreciation expense (\$19,090) in the current period.	85,249
Deferred Charges related to pensions are not recognized in the governmental funds. However, for the government-wide funds that amount is capitalized and amortized.	<u>(302,462)</u>
Change in net position of governmental activities	<u>\$ (288,524)</u>

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

PUEBLO SCHOOL FOR ARTS AND SCIENCES

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Pueblo School for Arts and Sciences (the “School”) was organized pursuant to the Colorado Charter Schools Act to form and operate a charter school within the Pueblo School District No. 60 (the “District”) in the State of Colorado.

The accounting policies of the School conform to generally accepted accounting principles as applicable to governmental units. Following is a summary of the more significant policies.

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.

Based on the application of these criteria, the School does not include additional organizations within its reporting entity. However, the School is a component unit of the Pueblo School District No. 60.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the School. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by intergovernmental revenues, are reported in a single column.

The statement of activities demonstrates the degree to which the direct expenses of the given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment.

Program revenues include 1) charges to students or others who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Unrestricted intergovernmental revenues not properly included among program revenues are reported instead as general revenues.

PUEBLO SCHOOL FOR ARTS AND SCIENCES

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements (Continued)

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period, not to exceed 60 days. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Intergovernmental revenues, grants, 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. All other revenue items are considered to be measurable and available only when cash is received by the School.

Internally dedicated resources are reported as general revenues rather than as program revenues.

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

The School reports the following major governmental fund:

General Fund— This fund is the general operating fund of the School. It is used to account for all financial resources except those required to be accounted for in another fund.

PUEBLO SCHOOL FOR ARTS AND SCIENCES

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows of Resources

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

Assets, Liabilities and Fund Balance/Net Position

Investments – Investments are reported at fair value.

Receivables – Receivables are reported at their gross value, and, where appropriate, are reduced by the estimated portion that is expected to be uncollectable.

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

Equipment improvements of the School is depreciated using the straight line method over seven years.

Prepaid Expenses - Payments for goods and services to be received in the near future. An expenditure is reported in the year in which the goods or services are received.

Unearned Revenues – Unearned revenues include grant funds that have been collected but the corresponding expense has not been incurred and tuition collected for future periods.

PUEBLO SCHOOL FOR ARTS AND SCIENCES

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Net Position– The government-wide and business-type fund financial statements utilize a net position presentation. Net position is categorized as investment in capital assets, restricted, and unrestricted

- Investment in Capital Assets is intended to reflect the portion of net position which are associated with non-liquid, capital assets less outstanding capital asset related debt. The net related debt is the debt less the outstanding liquid assets and any associated unamortized cost.
- Restricted Net Position are liquid assets, which have third party limitations on their use.
- Unrestricted Net Position represents assets that do not have any third party limitation on their use. While School management may have categorized and segmented portion for various purposes, the School's Board has the unrestricted right to revisit or alter these managerial decisions.

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

- Nonspendable – This classification includes amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact. The School reports prepaid expenses as nonspendable at June 30, 2016.
- Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The School has classified Emergency Reserves as being restricted because their use is restricted by State Statute for declared emergencies.

PUEBLO SCHOOL FOR ARTS AND SCIENCES

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

- 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 (ordinance or resolution) that was employed 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. The School did not have any committed resources as of June 30, 2016.
- Unassigned – This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The School 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 fund balance.

Compensated Absences

The School's policy allows 12 month employees (not the Professional and Instructional staff) to accumulate vacation leave at a rate of 20 hours per month. Upon termination of employment from the School, an employee will be compensated for accrued vacation time up to 200 hours.

These compensated absences are recognized as current salary costs when due in the governmental fund types. As no material amounts were due, no liability has been recorded in the government-wide financial statements for the accrued compensated absences as of June 30, 2016.

Risk Management

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The School carries commercial coverage for these risks of loss. Settled claims have not exceeded covered amounts in the last three years.

PUEBLO SCHOOL FOR ARTS AND SCIENCES

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Comparative Data

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the School's financial position and operations. However, complete comparative data in accordance with generally accepted accounting principles has not been presented since its inclusion would make the financial statements unduly complex and difficult to read.

Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

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

School management submits to the Board of Directors a proposed budget for the fiscal year commencing the following July 1. The budget is adopted by the Board of Directors prior to June 30. Expenditures may not legally exceed appropriations at the fund level. Revisions must be approved by the Board of Directors. The budget includes proposed expenditures and the means of financing them. All appropriations lapse at fiscal yearend.

Legal Compliance

The actual expenditures of the General Fund exceeded the budgeted amount by \$55,304. This may be a violation of State statute.

NOTE 3: CASH AND INVESTMENTS

Deposits

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 units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations.

PUEBLO SCHOOL FOR ARTS AND SCIENCES

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE 3: CASH AND INVESTMENTS (Continued)

Deposits (Continued)

At June 30, 2016, State regulatory commissioners have indicated that all financial institutions holding deposits for the School are eligible public depositories. 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 School has no policy regarding custodial credit risk for deposits.

At June 30, 2016, the School had deposits with financial institutions with a carrying amount of \$1,377,027. The bank balances with the financial institutions were \$1,383,149. Of these balances, \$1,033,101 was covered by federal depository insurance and \$350,048 was covered by collateral held by authorized escrow agents in the financial institution's name (PDPA).

Investments

Interest Rate Risk

The School does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Colorado statutes specify in which instruments units of local government may invest, which include:

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

The School has no policy for managing credit risk or interest rate risk.

The School has no investments as of June 30, 2016.

PUEBLO SCHOOL FOR ARTS AND SCIENCES

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE 4: CAPITAL ASSETS

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

	Balance <u>June 30, 2015</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2016</u>
Governmental Activities				
Capital Assets, Depreciated				
Equipment	\$ 127,739	\$ 104,339	\$ -	\$ 232,078
Accumulated Depreciation				
Equipment	13,837	19,090	-	32,927
Net Capital Assets	<u>\$ 113,902</u>	<u>\$ 85,249</u>	<u>\$ -</u>	<u>\$ 199,151</u>

Depreciation has been charged to supporting services program of the School.

NOTE 5: ACCRUED SALARIES AND BENEFITS

Salaries and retirement benefits of certain contractually employed personnel are paid over a twelve-month period from August to July, but are earned during a school year of nine months. The salaries and benefits earned, but unpaid, as of June 30, 2016, were \$169,756 in the General Fund.

NOTE 6: DEFINED BENEFIT PENSION PLAN

Summary of Significant Accounting Policies

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

PUEBLO SCHOOL FOR ARTS AND SCIENCES

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

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

General Information about the Pension Plan

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

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.

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.

PUEBLO SCHOOL FOR ARTS AND SCIENCES

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

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

General Information about the Pension Plan (Continued)

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.

Contributions. Eligible employees and the School are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. §

PUEBLO SCHOOL FOR ARTS AND SCIENCES

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)

General Information about the Pension Plan (Continued)

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 ¹	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	(1.02)%	(1.02)%
Amount Apportioned to the SCHDTF ¹	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 ¹	4.20%	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 ¹	3.50%	4.00%
Total Employer Contribution Rate to the SCHDTF ¹	17.33%	18.13%

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

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from School were \$315,873 for the year ended June 30, 2016.

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

At June 30, 2016, the School reported a liability of \$5,703,484 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. Standard update procedures were used to roll forward the total pension liability to December 31, 2015. The School's proportion of the net pension liability was based on the School's contributions to the SCHDTF for the calendar year 2015 relative to the total contributions of participating employers to the SCHDTF.

PUEBLO SCHOOL FOR ARTS AND SCIENCES

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)

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

At December 31, 2015, the School's proportion was 0.0373%, which was a decrease of 0.0004% from its proportion measured as of December 31, 2014.

For the year ended June 30, 2016, the School recognized pension expense of \$618,335. At June 30, 2016, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$75,316	\$238
Changes in assumptions or other inputs	N/A	\$80,600
Net difference between projected and actual earnings on pension plan investments	\$484,956	N/A
Changes in proportion and differences between contributions recognized and proportionate share of contributions	\$ 111,757	N/A
Contributions subsequent to the measurement date	\$ 162,785	N/A
Total	\$ 834,814	\$80,838

\$162,785 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30, :	
2017	\$ 186,498
2018	\$ 186,541
2019	\$ 118,705
2020	\$ 99,447

PUEBLO SCHOOL FOR ARTS AND SCIENCES

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)

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

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

Price inflation	2.80%	
Real wage growth	1.10%	
Wage inflation	3.90%	
Salary increases, including wage inflation	3.90%-10.10%	
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.50%	
Future post-retirement benefit increases:		
PERA Benefit Structure hired prior to 1/1/07; and DPS Benefit Structure (automatic)	2.00%	
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.

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

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

The following programming changes were made:

- Valuation of the full survivor benefit without any reduction for possible remarriage.
- Reflection of the employer match on separation benefits for all eligible years.
- Reflection of one year of service eligibility for survivor annuity benefit.
- Refinement of the 18-month annual increase timing.
- Refinements to directly value certain and life, modified cash refund and pop-up benefit forms.

PUEBLO SCHOOL FOR ARTS AND SCIENCES

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)

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

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.

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

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

PUEBLO SCHOOL FOR ARTS AND SCIENCES

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)

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

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.
- 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).

PUEBLO SCHOOL FOR ARTS AND SCIENCES

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)

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

When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan’s fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.

- Benefit payments and contributions were assumed to be made at the end of the month.

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

Sensitivity of the School’s 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	\$7,393,383	\$5,703,484	\$4,297,804

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.

PUEBLO SCHOOL FOR ARTS AND SCIENCES

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)

Other Post-Employment Benefits

Health Care Trust Fund

Plan Description – The 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.

Funding Policy – The 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 Academy 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 School's employer contributions to the HCTF were \$17,180, \$16,287, and \$15,676 respectively, equal to their required contributions for each year.

NOTE 7: COMMITMENTS AND CONTINGENCIES

Building Lease

In February 2014, the School entered into a formal lease agreement with the District for the use of the school's current facility. The lease expires on June 30, 2014 with an option to extend for a period that would coincide with the School's first charter renewal. The lease was subsequently extended to June 30, 2026. In accordance with Colorado Statute, no rent is due from the School to the District. As part of the lease agreement, the District has the right to approve all improvements/changes to the building and the School is responsible for all costs associated with all approved improvements/changes. In addition, the School is responsible for all building and property related repairs and maintenance, including general upkeep of the premises.

PUEBLO SCHOOL FOR ARTS AND SCIENCES

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE 7: **COMMITMENTS AND CONTINGENCIES** (Continued)

Claims and Judgments

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

Tabor Amendment

In November 1992, Colorado voters passed the Tabor Amendment to the State Constitution, which limits state and local government tax powers and imposes spending limitations. Fiscal year 1993 provides the basis for limits in future years to which may be applied allowable increases for inflation and student enrollment. Revenue received in excess of the limitations may be required to be refunded. The School believes it has complied with the Amendment.

As required by the Amendment, the School has established a reserve for emergencies. At June 30, 2016, the reserve of \$97,286 was recorded as a reservation of fund balance in the General Fund

NOTE 8: **DEFICIT NET POSITION**

The Net Position of the government type activities is in a deficit position of \$3,651,095 due to the School including the Net Pension Liability per GASB No. 68.

REQUIRED SUPPLEMENTARY INFORMATION

PUEBLO SCHOOL FOR ARTS AND SCIENCES

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2016

	2016			VARIANCE	2015
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	Positive (Negative)	
REVENUES					
Local Sources					
Per Pupil Revenue	\$ 3,108,504	\$ 3,122,530	3,120,311	\$ 2,219	\$ 3,009,079
Tuition and Fees	28,900	32,750	35,137	(2,387)	25,009
Grants and Donations	3,500	35,000	34,918	82	22,979
Interest	2,500	4,600	4,313	287	3,695
Other Local Revenue	20,000	35,000	17,525	17,475	10,832
State and Federal Sources					
Grants and Donations	61,773	94,410	96,079	(1,669)	73,351
TOTAL REVENUES	3,225,177	3,324,290	3,308,283	16,007	3,144,945
EXPENDITURES					
Instruction					
Salaries	1,408,566	1,406,878	1,390,753	16,125	1,294,584
Employee Benefits	420,701	420,702	409,156	11,546	355,671
Purchased Services	101,802	110,449	106,744	3,705	103,799
Supplies and Materials	98,774	81,634	87,271	(5,637)	117,037
Total Instruction	2,029,843	2,019,663	1,993,924	25,739	1,871,091
Supporting Services					
Salaries	396,000	415,000	408,021	6,979	364,883
Employee Benefits	112,675	113,349	109,101	4,248	84,342
Purchased Services	585,009	661,288	650,349	10,939	657,291
Supplies and Materials	64,600	79,000	214,946	(135,946)	227,841
Property	11,500	11,500		11,500	-
Other	25,550	24,490	3,253	21,237	4,080
Total Supporting Services	1,195,334	1,304,627	1,385,670	(81,043)	1,338,437
TOTAL EXPENDITURES	3,225,177	3,324,290	3,379,594	(55,304)	3,209,528
CHANGE IN FUND BALANCES	-	-	(71,311)	(71,311)	(64,583)
FUND BALANCE, Beginning	-	-	1,170,573	1,170,573	1,235,156
FUND BALANCE, Ending	\$ -	\$ -	\$ 1,099,262	\$ 1,099,262	\$ 1,170,573

See the accompanying independent auditors' report.

PUEBLO SCHOOL FOR ARTS AND SCIENCES
 SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE
 SCHOOL DIVISION TRUST FUND

Years Ended December 31,

	<u>2013</u>	<u>2014</u>	<u>2015</u>
School's proportionate share of the Net Pension Liability	0.0377%	0.0376%	0.0373%
School's proportionate share of the Net Pension Liability	\$ 4,808,926	\$ 5,102,697	\$ 5,703,484
School's covered-employee payroll	\$ 1,519,902	\$ 1,574,322	\$ 1,638,622
School's proportionate share of the Net Pension Liability as a percentage of its covered-employee payroll	316.4%	324.1%	348.1%
Plan fiduciary net position as a percentage of the total pension liability	64.1%	62.8%	59.2%

See the accompanying independent auditors' report.

PUEBLO SCHOOL FOR ARTS AND SCIENCES
SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS
SCHOOL DIVISION TRUST FUND

Years Ended June 30,

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Statutorily required contributions	\$ 261,391	\$ 285,872	\$ 315,873
Contributions in relation to the Statutorily required contributions	<u>261,391</u>	<u>285,872</u>	<u>315,873</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's covered-employee payroll	\$ 1,536,880	\$ 1,596,471	\$ 1,684,324
Contributions as a percentage of covered-employee payroll	17.01%	17.91%	18.75%

See the accompanying independent auditors' report.