

CARBON VALLEY ACADEMY
BASIC FINANCIAL STATEMENTS
June 30, 2016



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JOHN CUTLER & ASSOCIATES

Board of Directors
Carbon Valley Academy
Frederick, Colorado

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Carbon Valley Academy, component unit of the St. Vrain Valley School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Academy, 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, each major fund, and the aggregate remaining fund information of the Carbon Valley Academy as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, schedule of the school's proportionate share, and schedule of the school's contributions on pages 29-31 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

October 20, 2016



Management's Discussion and Analysis

As management of Carbon Valley Academy (hereinafter Carbon Valley Academy, or School), we offer readers of Carbon Valley Academy's financial statements this narrative overview and analysis of the financial activities of Carbon Valley Academy for the fiscal year ended June 30, 2016.

Financial Highlights

The general fund ending fund balance increased to \$779,205 from \$750,919.

Overview of Financial Statements

This discussion and analysis are intended to serve as an introduction to Carbon Valley Academy's basic financial statements. Carbon Valley Academy's basic financial statements are comprised of two components: 1) government-wide financial statements and 2) notes to the financial statements.

Government-wide Financial Statements

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

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

The statement of activities presents information showing how the School's net assets changed during the most recent fiscal year. All changes in net assets 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 only result in cash flows in future fiscal periods (e.g. uncollected grant expenses and earned but unpaid salary and benefits).

The government-wide statement of activities distinguishes functions/programs of Carbon Valley Academy supported primarily by per pupil operating revenue (PPR) or other revenue passed through from the District (St. Vrain Valley RE-1J). The governmental activities of Carbon Valley Academy include instruction and supporting services expense.

The government-wide financial statements can be found on pages 1-5 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Carbon Valley Academy, like other governmental units or charter schools, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Carbon Valley Academy are categorized as governmental funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the School's near-term financing requirements.

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

Carbon Valley Academy maintains three individual governmental funds.

Carbon Valley Academy adopts an annual appropriated budget for its funds. Budgetary comparison statements have been provided for these funds to demonstrate compliance with the budget.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. This information is provided in pages 9-28.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Carbon Valley Academy, liabilities exceeded assets by \$2,444,561 at the close of the most recent fiscal year.

Carbon Valley Academy's Net Assets

	Governmental Activities June 30, 2015	Governmental Activities June 30, 2016
Current assets	\$1,411,465	1,565,013
Capital assets	<u>4,252,094</u>	<u>4,146,443</u>
Total Assets	5,663,559	5,711,456
Current liabilities	255,202	367,785
Long Term Liabilities	4,520,000	4,405,000
Net Pension Liability (Net of Deferred Inflows And Outflows	<u>3,080,650</u>	<u>3,383,232</u>
Total Liabilities	7,855,852	8,811,740
Net assets		
Restricted for Emergencies -Tabor	77,000	75,000
Unrestricted	<u>(2,269,293)</u>	<u>(2,519,561)</u>
Total Net Assets	<u>(2,192,293)</u>	<u>(2,444,561)</u>

The largest portion of Carbon Valley Academy's current assets (99%) is Cash. The remaining 1% percent reflects Prepaid Items.

Carbon Valley Academy's Change in Net Assets For the Year Ended June 30, 2015 and June 30, 2016

	Governmental Activities June 30, 2015	Governmental Activities June 30, 2016
Program Revenue:		
Charges for Services	\$164,439	\$139,560
Grants and Contributions	<u>185,433</u>	<u>158,443</u>
Total Program Revenue	<u>349,872</u>	<u>298,003</u>
General Revenue:		
Per Pupil Operating Revenue	1,725,650	1,657,239
Taxes and Other	<u>546,859</u>	<u>655,642</u>
Total General Revenue	<u>2,272,509</u>	<u>2,312,881</u>
Total Revenue	<u>2,622,381</u>	<u>2,610,884</u>
Expenses:		
Current:		
Instruction	1,344,006	1,631,277
Supporting Services	<u>1,360,800</u>	<u>1,231,875</u>
Total Expenses	<u>2,704,806</u>	<u>2,863,152</u>
Increase (Decrease) in Net Assets	(82,425)	(252,268)
Beginning Net Assets, June 30 as restated	<u>(2,109,868)</u>	<u>(2,192,293)</u>
Ending Net Assets, June 30	<u>(2,192,293)</u>	<u>(2,444,561)</u>

Financial Analysis of the Government's Funds

As noted earlier, the Carbon Valley Academy uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds. The focus of Carbon Valley Academy's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing Carbon Valley Academy's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the School's net resources available for spending at the end of the fiscal year.

Total fund balance for Carbon Valley Academy increased by \$28,286. Unreserved fund balance increased by \$26,378.

The School's enrollment decreased last year. Below are the historical enrollment numbers:

Fiscal Year	Enrollment
2011 / 2012	282
2012 / 2013	320
2013 / 2014	272
2014/2015	251
2015/2016	232

General Fund Budgetary Highlights

The School approves a budget in April based on enrollment projections for the following school year. In December after enrollment stabilizes, adjustments are made to the budget. The School approved a supplemental budget in December to make an adjustment to the actual student count.

Capital Asset and Debt Administration

Capital assets. Carbon Valley Academy's had capital assets net of depreciation of \$4,146,443 at June 30, 2016. See Note 4 for more information.

Long-term debt. Carbon Valley Academy had long-term debt of \$4,520,000 at June 30, 2016. See Note 6 for more information.

Economic Factors and Next Year's Budget

The primary factor driving the budget for the Academy is student enrollment. Funded Pupil Count ("FPC") was 282.3 for 11/12 and 320 for 12/13, 272 for 13/14, 251.5 for 14/15, and 232 for 15/16. The Frederick area has had little to no growth over the past several years, with increased competition from other schools. The FPC projected for the 16/17 school year is 205. This factor and state funding issues were considered in preparing the Academy's budget for fiscal year 16/17. The Academy expects the funding for 16/17 to increase by approximately \$118 per student.

Requests for Information

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

Tony Carey
Executive Director
Carbon Valley Academy
4040 Coriolis Way
Frederick, CO 80504

BASIC FINANCIAL STATEMENTS

CARBON VALLEY ACADEMY

STATEMENT OF NET POSITION

As of June 30, 2016

	Governmental Activities	
	2016	2015
ASSETS		
Cash and Investments	\$ 996,037	\$ 864,076
Restricted Cash and Investments	554,988	537,309
Prepaid Items	13,988	10,080
Capital Assets, not Depreciated	1,158,251	1,158,251
Capital Assets, Depreciated, Net of Accumulated Depreciation	2,988,192	3,093,843
TOTAL ASSETS	5,711,456	5,663,559
DEFERRED OUTFLOWS OF RESOURCES		
Related to Pensions	712,968	709,689
LIABILITIES		
Accounts Payable	120,408	23,451
Due to the District	22,805	10,094
Accrued Salaries and Benefits	87,607	89,692
Interest Payable	21,965	21,965
Noncurrent Liabilities		
Bonds		
Due in One Year	115,000	110,000
Due in More than One Year	4,405,000	4,520,000
Net Pension Liability	4,038,955	3,790,127
TOTAL LIABILITIES	8,811,740	8,565,329
DEFERRED INFLOWS OF RESOURCES		
Related to Pensions	57,245	212
NET POSITION		
Net Investment in Capital Assets	(976,820)	(998,848)
Restricted for Emergencies	75,000	77,000
Unrestricted	(1,542,741)	(1,270,445)
TOTAL NET POSITION	\$ (2,444,561)	\$ (2,192,293)

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

CARBON VALLEY ACADEMY

STATEMENT OF ACTIVITIES
Year Ended June 30, 2016

FUNCTIONS/PROGRAMS	Expenses	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
					2016	2015
PRIMARY GOVERNMENT						
Governmental Activities						
Instructional	\$ 1,631,277	\$ 139,560	\$ 114,850	\$ -	\$ (1,376,867)	\$ (1,037,727)
Supporting Services	974,531	-	-	43,593	(930,938)	(1,053,957)
Interest on Long-Term Debt	257,344	-	-	-	(257,344)	(263,250)
Total Governmental Activities	<u>\$ 2,863,152</u>	<u>\$ 139,560</u>	<u>\$ 114,850</u>	<u>\$ 43,593</u>	<u>(2,565,149)</u>	<u>(2,354,934)</u>
GENERAL REVENUES						
					1,657,239	1,725,650
					536,955	441,065
					1,845	697
					116,842	105,097
					<u>2,312,881</u>	<u>2,272,509</u>
					CHANGE IN NET POSITION	(252,268) (82,425)
					NET POSITION, Beginning	(2,192,293) (2,109,868)
					NET POSITION, Ending	<u>\$ (2,444,561)</u> <u>\$ (2,192,293)</u>

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

CARBON VALLEY ACADEMY

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2016

	GENERAL FUND	
	2016	2015
ASSETS		
Cash and Investments	\$ 996,037	\$ 864,076
Prepaid Expenses	13,988	10,080
TOTAL ASSETS	\$ 1,010,025	\$ 874,156
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts Payable	\$ 120,408	\$ 23,451
Due to the District	22,805	10,094
Accrued Salaries	87,607	89,692
TOTAL LIABILITIES	230,820	123,237
FUND BALANCES		
Nonspendable	13,988	10,080
Restricted for Emergencies	75,000	77,000
Unassigned	690,217	663,839
TOTAL FUND BALANCES	779,205	750,919
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.	155,588	170,696
Long-term liabilities and related assets are not due and payable in the current period and, therefore, are not reported in the funds. This liability includes net pension liability of (\$4,038,955), deferred outflows related to pensions of \$712,968, and deferred inflows related to pensions of (\$57,245).	(3,383,232)	(3,080,650)
Internal Service funds are used by management to charge the lease costs to governmental funds. The assets and liabilities of the internal service fund are included in the governmental activities in the statement of net position.	3,878	(33,258)
Net position of governmental activities	\$ (2,444,561)	\$ (2,192,293)

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

CARBON VALLEY ACADEMY

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

	GENERAL FUND	
	2016	2015
REVENUES		
Local Sources	\$ 2,534,429	\$ 2,554,570
State Sources	74,610	67,114
	<u>2,609,039</u>	<u>2,621,684</u>
EXPENDITURES		
Current		
Instruction	1,388,144	1,257,468
Supporting Services	1,192,609	1,352,520
	<u>2,580,753</u>	<u>2,609,988</u>
NET CHANGE IN FUND BALANCES	28,286	11,696
FUND BALANCES, Beginning	<u>750,919</u>	<u>739,223</u>
FUND BALANCES, Ending	<u>\$ 779,205</u>	<u>\$ 750,919</u>

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

CARBON VALLEY ACADEMY

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	\$ 28,286
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount of depreciation expense in the current year.	(15,108)
Deferred Charges related to pension are not recognized in the governmental funds. However, for the government-wide funds that amount is capitalized and amortized.	(302,582)
The Internal Service fund is used by management to charge the cost of lease payments to the governmental funds. The net revenue of the internal service fund is reported with the governmental activities.	<u>37,136</u>
Change in net position of governmental activities	<u><u>\$ (252,268)</u></u>

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

CARBON VALLEY ACADEMY

STATEMENT OF NET POSITION
 PROPRIETARY FUND TYPE
 June 30, 2016

	Governmental Activities	
	Internal Service Fund	
	2016	2015
ASSETS		
Current Assets		
Restricted Cash and Investments	\$ 554,988	\$ 537,309
Total Current Assets	554,988	537,309
Long-term Assets		
Capital Assets, Net of Accumulated Depreciation	3,990,855	4,081,398
Total Long-term Assets	3,990,855	4,081,398
TOTAL ASSETS	4,545,843	4,618,707
LIABILITIES		
Current Liabilities		
Interest Payable	21,965	21,965
Bonds Payable - Current	115,000	110,000
Total Current Liabilities	136,965	131,965
Long-Term Liabilities		
Bonds Payable	4,405,000	4,520,000
TOTAL LIABILITIES	4,541,965	4,651,965
NET POSITION		
Net Investment in Capital Assets	3,878	(33,258)
Unrestricted	-	-
TOTAL NET POSITION	\$ 3,878	\$ (33,258)

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

CARBON VALLEY ACADEMY

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

	<u>Governmental Activities</u>	
	<u>Internal Service Fund</u>	
	<u>2016</u>	<u>2015</u>
OPERATING REVENUES		
Charges for Services	\$ 369,646	\$ 368,979
TOTAL OPERATING REVENUES	<u>369,646</u>	<u>368,979</u>
OPERATING EXPENSES		
Depreciation	90,543	90,543
Repairs and Maintenance	6,468	6,724
TOTAL OPERATING EXPENSES	<u>97,011</u>	<u>97,267</u>
OPERATING INCOME	<u>272,635</u>	<u>271,712</u>
NON-OPERATING EXPENSES		
Investment Income	1,845	697
Contribution to Repair and Replacement Fund	20,000	20,000
Interest Expense	(257,344)	(263,250)
TOTAL NON-OPERATING EXPENSES	<u>(235,499)</u>	<u>(242,553)</u>
NET INCOME	37,136	29,159
NET POSITION, Beginning	<u>(33,258)</u>	<u>(62,417)</u>
NET POSITION, Ending	<u>\$ 3,878</u>	<u>\$ (33,258)</u>

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

CARBON VALLEY ACADEMY

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

	Governmental Activities	
	Internal Service Fund	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Rental Operations	\$ 369,646	\$ 368,979
Cash paid for Repairs and Maintenance	(6,468)	(6,724)
Net Cash Provided by Operating Activities	363,178	362,255
CASH FLOWS FROM INVESTING ACTIVITIES		
Contribution to Repair and Replacement Fund	20,000	20,000
Investment Income	1,845	697
Net Cash From Investing Activities	21,845	20,697
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal Payments on Bonds	(110,000)	(100,000)
Interest Expense	(257,344)	(263,250)
Net Cash Used by Capital and Related Financing Activities	(367,344)	(363,250)
NET INCREASE IN CASH	17,679	19,702
CASH, Beginning	537,309	517,607
CASH, Ending	\$ 554,988	\$ 537,309
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income	\$ 272,635	\$ 271,712
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities		
Depreciation Expense	90,543	90,543
Total Adjustments	90,543	90,543
Net Cash Provided by Operating Activities	\$ 363,178	\$ 362,255

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

CARBON VALLEY ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Carbon Valley Academy (the “Academy”) was formed in March of 2005, pursuant to the Colorado Charter Schools Act to form and operate a charter school. The focus of which is to provide a Core Knowledge based curriculum to students from preschool to 8th grade.

The accounting policies of the Academy 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 Academy and organizations for which the Academy is financially accountable. All funds, organizations, institutions, agencies, departments and offices that are not legally separate are part of the Academy. In addition, any legally separate organizations for which the Academy is financially accountable are considered part of the reporting entity. Financial accountability exists if the Academy 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 Academy.

Based upon the application of these criteria, the following organization is included in the Academy’s reporting entity.

Carbon Valley Building Corporation

The Carbon Valley Building Corporation (the “Building Corporation”) is considered to be financially accountable to the Academy. The Building Corporation was formed to support and assist the Academy to perform its function and to carry out its purpose, specifically to assist in the financing and construction of the Academy’s facilities. The Building Corporation is blended into the Academy’s financial statements as an internal service fund. Separate financial statements are not available for the Building Corporation.

The Academy is a component unit of the St. Vrain Valley School District (the “District”).

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the Academy. 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.

CARBON VALLEY ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements (Continued)

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, 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.

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 Academy.

CARBON VALLEY ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(Continued)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the fund's principal ongoing operations.

Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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 Academy's policy to use restricted resources first and the unrestricted resources as they are needed.

The Academy reports the following major funds:

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

Additionally, the Academy reports the following fund types:

The *Internal Service Fund* is used to account for activity of Building Corporation.

Assets, Liabilities and Fund Balance/Net Assets

Investments – Investments are recorded at fair value.

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 Academy 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.

CARBON VALLEY ACADEMY

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Depreciation of exhaustible capital assets is charged as an expense against operations, and accumulated depreciation is reported on the statement of net assets in the government-wide financial statements. Depreciation has been provided over the following estimated useful lives of the capital assets using the straight-line method: buildings, 40 years, leasehold improvements, 7 years; equipment, 3-7 years.

Long-term Debt – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. The face amount of 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 current expenditures.

Unearned Revenues – Unearned revenues include tuition revenues that have been collected but the corresponding expenditure that have not been incurred.

Net Position – The government-wide fund financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted, and unrestricted. Net investment in capital assets is intended to reflect the portion of net position which is 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 is liquid assets, which have third party limitations on their use. Unrestricted net position represents assets that do not have any third party limitations on their use.

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 Academy 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 Academy considers Prepaid Expenses as nonspendable.
- 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 Academy has classified Emergency Reserves as being restricted because their use is restricted by State Statute for declared emergencies.

CARBON VALLEY ACADEMY

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Assets, Liabilities and Fund Balance/Net Assets (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 Academy 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 Academy 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

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 of resources. This separate financial statement element, deferred outflows 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 the liabilities, the statement of financial position and balance sheets 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 and fund balance that applies to a futures period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

CARBON VALLEY ACADEMY

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

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. Academy 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 year end.

NOTE 3: CASH AND INVESTMENTS

Cash and Investments at June 30, 2016 consisted of the following:

Cash on Hand	\$ 6,100
Deposits	989,937
Investments	<u>554,988</u>
Total	<u>\$ 1,551,025</u>

The above amounts are classified in the statement of net assets as follows:

Cash and Investments	\$ 996,037
Restricted Cash and Investments	<u>554,988</u>
Total	<u>\$ 1,551,025</u>

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. At June 30, 2016, State regulatory commissioners have indicated that all financial institutions holding deposits for the Academy 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.

CARBON VALLEY ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE 3: CASH AND INVESTMENTS (Continued)

The Academy has no policy regarding custodial credit risk for deposits.

At June 30, 2016, the Academy had deposits with financial institutions with a carrying amount of \$989,937. The bank balances with the financial institutions were \$994,567. Of this amount, \$250,000 was covered federal depository insurance and \$744,567 was covered by collateral held by authorized escrow agents in the financial institutions name (PDPA).

Investments

Interest Rate Risk

The Academy 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 Academy had invested \$554,988 in the Colorado Surplus Asset Fund Trust (CSAFE). CSAFE is considered to be a 2a7 like investments and is valued using the NAV per share (or its equivalent) of the investments. The 2a-7 like investments do not have any unfunded commitments, redemption restrictions or redemption notice periods. The 2a-7 like investments conform to Colorado Statutes CRS 24-75-601 et. seq. and therefore invests primarily in securities of the United States Treasury, United States Agencies, Primary Dealer Repurchase Agreements, highly rated commercial paper, highly rated corporate bonds, Colorado depositories collateralized at 102% of market value according to the guidelines of the Public Deposit Protection Act. The investments will conform to its Permitted Investments and will meet Standard & Poor's investment guidelines to achieve a AAAM rating, the highest attainable rating for a Local Government Investment Pool.

CARBON VALLEY ACADEMY

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE 3: CASH AND INVESTMENTS (Continued)

Restricted Cash and Investments

Investments in CSAFE totaling \$554,988 are restricted in the Internal Service for the construction the Academy's building and payment of the Academy's debt.

NOTE 4: CAPITAL ASSETS

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

	<u>Balance</u> <u>June 30, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2016</u>
Governmental Activities				
Capital Assets, Not Depreciated				
Land	\$ 1,062,443	\$ -	\$ -	\$ 1,062,443
Water Rights	<u>95,808</u>	<u>-</u>	<u>-</u>	<u>95,808</u>
Total Capital Assets, Not Depreciated	<u>1,158,251</u>	<u>-</u>	<u>-</u>	<u>1,158,251</u>
Capital Assets, Depreciated				
Land Improvements	280,487	-	-	280,487
Buildings	3,094,219	-	-	3,094,219
Leasehold Improvements	392,861	-	-	392,861
Furniture and Equipment	214,405	-	-	214,405
Software Costs	<u>20,021</u>	<u>-</u>	<u>-</u>	<u>20,021</u>
Total Capital Assets, Depreciated	<u>4,001,993</u>	<u>-</u>	<u>-</u>	<u>4,001,993</u>
Accumulated Depreciation				
Land Improvements	147,925	18,699	-	166,624
Buildings	536,390	63,153	-	599,543
Leasehold Improvements	150,360	18,438	-	168,798
Furniture and Equipment	53,454	5,361	-	58,815
Software Costs	<u>20,021</u>	<u>-</u>	<u>-</u>	<u>20,021</u>
Total Accumulated Depreciation	<u>908,150</u>	<u>105,651</u>	<u>-</u>	<u>1,013,801</u>
Total Capital Assets, Depreciated, Net	<u>3,093,843</u>	<u>(105,651)</u>	<u>-</u>	<u>2,988,192</u>
Net Capital Assets	<u>\$ 4,252,094</u>	<u>\$ (105,651)</u>	<u>\$ -</u>	<u>\$ 4,146,443</u>

Depreciation has been charged to the Supporting Services program of the Academy.

CARBON VALLEY ACADEMY

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

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 approximately nine to ten months. The salaries and benefits earned, but unpaid, as of June 30, 2016, were \$87,607. Accordingly, the accrued compensation is reflected as a liability in the accompanying financial statements of the General Fund.

NOTE 6: LONG-TERM DEBT

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

	Balance <u>June 30, 2015</u>	<u>Additions</u>	<u>Payments</u>	Balance <u>June 30, 2016</u>	Due In <u>One Year</u>
2006 Revenue Bonds	<u>\$ 4,630,000</u>	<u>\$ -</u>	<u>\$ 110,000</u>	<u>\$ 4,520,000</u>	<u>\$ 115,000</u>

Building Lease

In December 2006, the Colorado Educational and Facilities Authority (CECFA) issued \$5,305,000 Charter School Revenue Bonds, Series 2006. Proceeds from the bonds were used to construct the Academy's building. The Academy is required to make equal lease payments to the Building Corporation for the use of the building. The Building Corporation is required to make equal lease payments to the Trustee, for payment of the bonds. Interest accrues at a rate of 5.65% per year. The lease matures in December 2036.

Future debt service requirements are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 115,000	\$ 251,016	\$ 366,016
2018	120,000	244,407	364,407
2019	130,000	237,375	367,375
2020	135,000	229,922	364,922
2021	145,000	222,047	367,047
2022-2026	850,000	975,938	1,825,938
2027-2031	1,135,000	698,764	1,833,764
2032-2036	<u>1,890,000</u>	<u>339,188</u>	<u>2,229,188</u>
Total	<u>\$ 4,520,000</u>	<u>\$ 3,198,657</u>	<u>\$ 7,718,657</u>

CARBON VALLEY ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE 7: DEFINED BENEFIT PENSION PLAN

Summary of Significant Accounting Policies

Pensions. The Academy 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.

General Information about the Pension Plan

Plan description. Eligible employees of the Academy 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.

CARBON VALLEY ACADEMY

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

General Information about the Pension Plan (Continued)

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.

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. § 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:

CARBON VALLEY ACADEMY

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

General Information about the Pension Plan (Continued)

	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	4.00%	4.50%
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 School were \$215,954 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 \$4,038,955 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.

CARBON VALLEY ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE 7: DEFINED BENEFIT PENSION PLAN(Continued)

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

At December 31, 2015, the School's proportion was .02641%, which was a decrease of .00156% from its proportion measured as of December 31, 2014.

For the year ended June 30, 2016 the School recognized pension expense of \$518,536. 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	\$ 53,335	\$ 168
Changes in assumptions or other inputs	N/A	\$ 57,077
Net difference between projected and actual earnings on pension plan investments	\$ 343,425	N/A
Changes in proportion and differences between contributions recognized and proportionate share of contributions	\$ 206,098	N/A
Contributions subsequent to the measurement date	\$ 110,110	N/A
Total	\$ 712,968	\$ 57,245

CARBON VALLEY ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

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

\$110,110 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, 2016	
2017	\$211,076
2018	\$211,105
2019	\$53,006
2020	\$70,426

Actuarial assumptions. The total pension liability in the December 31, 2014 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.

CARBON VALLEY ACADEMY

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE 7: DEFINED BENEFIT PENSION PLAN(Continued)

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

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 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.

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.

CARBON VALLEY ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

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

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%.

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%.

CARBON VALLEY ACADEMY

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

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

- 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). 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.

CARBON VALLEY ACADEMY

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

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

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%, 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	\$5,235,667	\$4,038,955	\$3,043,515

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.

Other Post-Employment Benefits

Health Care Trust Fund

Plan Description – The Academy 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.

CARBON VALLEY ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

Other Post-Employment Benefits (Continued)

Funding Policy – The Academy 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 Academy’s contributions to the HCTF were \$11,748, \$12,018 and \$10,768 respectively, equal to their required contributions for each year.

NOTE 8: RISK MANAGEMENT

The Academy 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 Academy participates in the Colorado School District Self Insurance Pool. The Pool insures property and liability exposures through contributions made by member districts. The Academy does not maintain an equity interest in the self insurance pool. The Academy funds its pool contributions, outside insurance purchases, deductibles, and uninsured losses through the General Fund. The Academy is fully self insured for unemployment compensation and has a \$500 deductible for property insurance.

The Academy continues to carry commercial insurance for all other risks of loss, including boiler and machinery coverage. Settled claims resulting from these risks have not exceeded commercial or Academy coverage’s in any of the past three years.

NOTE 9: COMMITMENTS AND CONTINGENCIES

Claims and Judgments

The Academy 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 Academy may be required to reimburse the grantor government. As of June 30, 2016, significant amounts of grant expenditures have not been audited, but the Academy believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the Academy.

CARBON VALLEY ACADEMY

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE 9: COMMITMENTS AND CONTINGENCIES (continued)

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 Academy believes it has complied with the Amendment. As required by the Amendment, the Academy has established a reserve for emergencies. At June 30, 2016, the reserve of \$75,000 was recorded as a restriction of fund balance in the General Fund.

NOTE 10: DEFICIT NET POSITION

The Net Position of the government type activities is in a deficit position of \$2,444,561 due to the Academy including the Net Pension Liability per GASB No. 68.

REQUIRED SUPPLEMENTARY INFORMATION

CARBON VALLEY ACADEMY

GENERAL FUND
 BUDGETARY COMPARISON SCHEDULE
 Year Ended June 30, 2016

	2016			VARIANCE	2015
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	Positive (Negative)	ACTUAL
REVENUES					
Local Sources					
Per Pupil Revenue	\$ 1,638,060	\$ 2,571,801	\$ 1,657,239	\$ (914,562)	\$ 1,725,650
Mill Levy Override	441,065	384,584	536,955	152,371	441,065
Tuition and Fees	143,000	123,050	139,560	16,510	164,439
Contributions	120,000	-	83,833	83,833	118,319
Other	104,038	-	116,842	116,842	105,097
State Sources					
Grants and Donations	60,200	65,000	74,610	9,610	67,114
TOTAL REVENUES	2,506,363	3,144,435	2,609,039	(535,396)	2,621,684
EXPENDITURES					
Salaries	1,239,001	1,302,948	1,163,647	139,301	1,222,138
Employee Benefits	411,065	384,622	425,258	(40,636)	367,211
Purchased Services	870,659	820,962	797,686	23,276	736,582
Supplies and Materials	104,325	105,070	177,614	(72,544)	247,161
Property	-	453,334	4,945	448,389	-
Other	4,762	28,336	11,603	16,733	36,896
TOTAL EXPENDITURES	2,629,812	3,095,272	2,580,753	514,519	2,609,988
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(123,449)	49,163	28,286	(20,877)	11,696
FUND BALANCE, Beginning	750,919	659,577	750,919	91,342	739,223
FUND BALANCE, Ending	\$ 627,470	\$ 708,740	\$ 779,205	\$ 70,465	\$ 750,919

See the accompanying independent auditors' report.

CARBON VALLEY ACADEMY

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	0.024%	0.028%	0.026%
School's proportionate share of the Net Pension Liability	\$ 3,071,977	\$ 3,790,127	\$ 4,038,955
School's covered-employee payroll	\$ 959,993	\$ 1,172,333	\$ 1,152,865
School's proportionate share of the Net Pension Liability as a percentage of its covered-employee payroll	320.0%	323.3%	350.3%
Plan fiduciary net position as a percentage of the total pension liability	64.1%	62.8%	59.2%

See the accompanying independent auditors' report.

CARBON VALLEY ACADEMY

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	\$ 179,844	\$ 210,779	\$ 215,954
Contributions in relation to the Statutorily required contributions	<u>179,844</u>	<u>210,779</u>	<u>215,954</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's covered-employee payroll	\$ 1,055,661	\$ 1,178,192	\$ 1,151,793
Contributions as a percentage of covered-employee payroll	17.04%	17.89%	18.75%

See the accompanying independent auditors' report.