

HIGH POINT ACADEMY

FINANCIAL STATEMENTS

June 30, 2016



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HIGH POINT ACADEMY

Governing Board June 30, 2016

President	Ryan Frazier
Vice President	Michael Fields
Treasurer	Christi Julian
Director	Danielle Felder
Director	Belle Faust
Director	Lauren Broussard

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Governing Board
High Point Academy
Aurora, Colorado

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the High Point Academy 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 High Point 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.

Auditors' Responsibility

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

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

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

Opinions

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

Other Matters (Required Supplementary Information)

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Ernst & Young LLP

October 6, 2016

HIGH POINT ACADEMY

Management's Discussion and Analysis

For the Year Ended June 30, 2016

Introduction

As management of High Point Academy (the "School"), we offer readers of the School's financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with additional information provided in the accompanying financials.

Financial Highlights

Fiscal year ended June 30, 2016 is the second year reporting net pension liability and deferred inflows and outflows following Governmental Accounting Standards Board Statement (GASB) No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27. As such, the School included the Net Pension Liability per GASB Statement No. 68 in the amount of \$9,758,566 for FY 2016 and \$8,749,647 for FY 2015 as noncurrent liability on the Statement of Net Position. For FY 2016 and FY 2015, the liabilities and deferred inflows of resources of the School exceeded its assets and deferred outflows by \$7,579,311 and \$7,293,824 (net position), respectively.

The general fund ending fund balance increased from \$1,930,528 to \$2,112,522; an increase of \$181,994. This increase was largely caused by an increase in per pupil and capital construction revenue. The operations of the School are funded primarily by tax revenue received under the State School Finance Act. The School received \$5,042,921 in PPR.

Overview of Financial Statements

This discussion and analysis are intended to serve as an introduction to the School's basic financial statements. The School's basic financial statements are comprised of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements.

Government-wide Financial Statements

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

The statement of net position presents information on all of the School's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference reported as net position.

HIGH POINT ACADEMY
Management's Discussion and Analysis
For the Year Ended June 30, 2016

The statement of activities presents information showing 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 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 the School supported primarily by per pupil revenue (PPR) or property taxes passed through The Charter School Institute. The governmental activities of the School include instruction and supporting services expense. The government-wide financial statements can be found on pages 1-2 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. The School, like other governmental units or charter schools use fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the School are categorized as governmental funds or proprietary 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 differences in reporting. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The School maintains one governmental fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balance for the general fund because it is considered to be a major fund.

HIGH POINT ACADEMY
Management's Discussion and Analysis
For the Year Ended June 30, 2016

The School adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the budget.

Proprietary Fund. The High Point Academy Building Corporation (the "Corporation"), considered a component unit of the charter school, is reported as business-type activities in the proprietary fund. It is presented with statements of net position, statement of revenues, expenses and changes in net position and cash flows.

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 8-19.

Government-wide Financial Analysis

The School's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$7,579,311 at the close of the most recent fiscal year. The negative balance is due primarily to the adoption of GASB Statement No. 68, resulting in a net pension liability of \$9,758,566, representing the School's proportionate share of the PERA's net pension liability.

High Point Academy's Net Position
Governmental and Business-Type Activities

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Cash and Investments	\$ 2,041,241	\$ 1,947,422
Restricted Cash and Investments	1,254,932	1,213,229
Receivables, Prepaids and Deposits	191,487	137,379
Capital Assets	9,053,741	9,339,769
Total Assets	<u>12,541,401</u>	<u>12,637,799</u>
Deferred Outflows of Resources		
Pensions, Net of Accumulated Amortization	<u>1,245,340</u>	<u>462,086</u>
Current liabilities	704,633	691,545
Debt Service	10,624,968	10,847,564
Net Pension Liability	9,758,566	8,749,647
Total Liabilities	<u>21,088,167</u>	<u>20,288,756</u>
Deferred Inflows of Resources		
Pensions, Net of Accumulated Amortization	<u>277,885</u>	<u>104,953</u>

HIGH POINT ACADEMY
Management's Discussion and Analysis
For the Year Ended June 30, 2016

Net Position		
Net Investment in Capital Assets	(1,801,227)	(1,727,795)
Restricted for:		
Debt Service	900,505	895,957
Building Repairs	160,631	120,176
Emergencies	175,000	175,000
Unrestricted	<u>(7,014,220)</u>	<u>(6,757,162)</u>
Total Net Position	<u><u>\$(7,579,311)</u></u>	<u><u>\$(7,293,284)</u></u>

A portion of the School's Governmental and Business-Type assets (26.3%) is in cash and investments and (72.2%) are net capital assets. As outlined in Note 6 to the financial statements the School participates in a Defined Benefit Pension Plan and has recorded a Net Pension Liability as of June 30, 2016 of \$8,749,647. This and the operating loss in the enterprise fund resulted in a negative government-wide Net Position of \$7,579,311.

High Point Academy's Change in Net Position
For the Years Ended June 30, 2016 and 2015
Governmental and Business-Type Activities

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Program Revenue:		
Charges for Services	\$ 293,156	\$ 280,608
Operating Grants and Contributions	<u>523,597</u>	<u>574,079</u>
Total Program Revenue	<u>816,753</u>	<u>854,687</u>
General Revenue:		
Per Pupil Revenue	5,042,921	4,881,938
Other	<u>241,863</u>	<u>163,730</u>
Total General Revenue	<u>5,284,784</u>	<u>5,045,668</u>
 Total Revenue	 <u>6,101,537</u>	 <u>5,900,355</u>
Expenses:		
Current:		
Instruction	3,327,171	3,145,350
Supporting Services	2,173,794	1,825,677
Business-type activities	278,315	278,326
Interest on Long-term Debt	<u>607,744</u>	<u>615,878</u>
Total Expenses	<u>6,387,024</u>	<u>5,865,231</u>
 Increase (Decrease) in Net Position	 (285,487)	 35,124
Beginning Net Position, June 30 (restated)	<u>(7,293,824)</u>	<u>(7,328,948)</u>
Ending Net Position, June 30	<u><u>\$(7,579,311)</u></u>	<u><u>\$(7,293,824)</u></u>

HIGH POINT ACADEMY
Management’s Discussion and Analysis
For the Year Ended June 30, 2016

The largest portion of the School’s revenues come from per pupil funding – 82.6% in FY 2016 and 82.7% in FY 2015. In FY 2016 and FY 2015, 13.4% and 14.5%, respectively, of revenues came from program and other revenues. The School’s revenue increased by \$201,182 and expenses increased by \$521,793 in FY 2016.

Financial Analysis of the Government’s Funds

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

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

Overall revenue increased in FY 2016 by \$198,647. PPR increased 1.4% due to an increase in per pupil funding from the state and capital construction per pupil funding increased \$87.28/pupil resulting in \$54,818 in additional revenue.

Expenditures increased \$387,664. Salary and benefit expenditures increased by 6.7% or \$245,651. This was the result of an increase in staff wages, employee retirement and benefits.

The School’s enrollment declined slightly in FY 2016 due to fewer preschool participants and a decline of 5 students in 1st through 8th grades. Below is the historical enrollment numbers:

Fiscal Year	PK – 8 Enrollment
2006 / 2007	186
2007 / 2008	327
2008 / 2009	395
2009 / 2010	458
2010 / 2011	543
2011 / 2012	751
2012 / 2013	814
2013 / 2014	818
2014 / 2015	760
2015 / 2016	751

As of the end of the current fiscal year, the School’s governmental fund reported an ending fund balance of \$2,112,522, an increase of \$181,994.

HIGH POINT ACADEMY
Management's Discussion and Analysis
For the Year Ended June 30, 2016

Proprietary Fund. The High Point Academy Building Corporation net position is a deficit balance of \$935,433 or a decrease of \$61,171. The decrease is largely attributed to the recording of non-cash transactions such as building depreciation. We anticipate that the Corporation will continue to incur an operating deficit as the debt is repaid in future years. The Building Fund has \$1,094,301 in restricted cash and investments required to be held for future debt service.

General Fund Budgetary Highlights

The School approves a budget in June based on enrollment projections for the following school year. In October after enrollment stabilizes, adjustments are made to the budget. The School approved an amended budget during the year to true up the beginning fund balance and adjustment to the actual student count. Actual expenditures in the general fund were under budget by \$2,085,346.

Capital Asset and Debt Administration

Capital assets. Capital assets include the land and building owned by the Corporation reported as business type activities of \$9,019,030 and other capital assets in the governmental activities of \$34,711. Depreciation expense of \$7,713 and \$278,315 was reported in the statement of activities and business type activities.

Long-term lease. The School participates in a long-term lease agreement with the Corporation. Monthly principal and interest payments are due under the lease agreements, with interest accruing at rates ranging from 2.375% to 6.25%. The lease ends in March 2042. Annual debt service ranges from \$58,438 to \$822,875 with interest payments beginning in calendar year 2010.

Economic Factors and Next Year's Budget

The School is fortunate to have a solid fund balance to help weather a decline in funding that the School may experience in the future. The FY 2016/2017 budget projects the School will have a decrease of approximately \$192,281 to the general fund ending fund balance. This is a planned decrease as the School utilizes a portion of the fund balance to update its curriculum.

The funded pupil count projected for the 2016-17 school year is 661. This factor was considered in preparing the School's budget for fiscal year 2016-17. The economic outlook for FY 2017 remains stable with the increase of \$87.39 per funded FTE or 1.2% in PPR funding. The Capital Construction funding per pupil allocation will increase slightly for FY 2017 to \$258 per funded FTE compared to \$255 per funded FTE in FY 2016. The FY 2016/2017 budget projects the School's general fund balance will decrease by \$192,281. Enrollment is projected to remain stable for FY 2016/2017.

HIGH POINT ACADEMY
Management's Discussion and Analysis
For the Year Ended June 30, 2016

Requests for Information

This financial report is designed to provide a general overview of the School'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 Chief Business Officer, High Point Academy 6750 N. Dunkirk Street, Aurora, CO 80019.

BASIC FINANCIAL STATEMENTS

HIGH POINT ACADEMY

STATEMENT OF NET POSITION

June 30, 2016

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and Investments	\$ 2,041,241	\$ -	\$ 2,041,241
Restricted Cash and Investments	160,631	1,094,301	1,254,932
Accounts Receivable	80,554	-	80,554
Grants Receivable	76,371	-	76,371
Prepaid Expenses	33,462	-	33,462
Deposits	1,100	-	1,100
Capital Assets, Not Being Depreciated	-	1,535,000	1,535,000
Capital Assets, Net of Accumulated Depreciation	<u>34,711</u>	<u>7,484,030</u>	<u>7,518,741</u>
 TOTAL ASSETS	 <u>2,428,070</u>	 <u>10,113,331</u>	 <u>12,541,401</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pensions, Net of Accumulated Amortization	<u>1,245,340</u>	<u>-</u>	<u>1,245,340</u>
LIABILITIES			
Accounts Payable	29,714	-	29,714
Accrued Liabilities	76,241	-	76,241
Accrued Salaries and Benefits	166,137	-	166,137
Unearned Revenues	8,745	-	8,745
Accrued Interest Payable	-	193,796	193,796
Noncurrent Liabilities			
Due Within One Year	-	230,000	230,000
Due in More Than One Year	-	10,624,968	10,624,968
Net Pension Liability	<u>9,758,566</u>	<u>-</u>	<u>9,758,566</u>
 TOTAL LIABILITIES	 <u>10,039,403</u>	 <u>11,048,764</u>	 <u>21,088,167</u>
DEFERRED INFLOWS OF RESOURCES			
Pensions, Net of Accumulated Amortization	<u>277,885</u>	<u>-</u>	<u>277,885</u>
NET POSITION			
Net Investment in Capital Assets	34,711	(1,835,938)	(1,801,227)
Restricted for Debt Service	-	900,505	900,505
Restricted for Repair and Replacement	160,631	-	160,631
Restricted for Emergencies	175,000	-	175,000
Unrestricted	<u>(7,014,220)</u>	<u>-</u>	<u>(7,014,220)</u>
 TOTAL NET POSITION	 <u>\$ (6,643,878)</u>	 <u>\$ (935,433)</u>	 <u>\$ (7,579,311)</u>

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

HIGH POINT ACADEMY

STATEMENT OF ACTIVITIES

Year Ended June 30, 2016

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES	
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS
<u>PRIMARY GOVERNMENT</u>			
Governmental Activities			
Instruction	\$ 3,327,171	\$ 129,404	\$ 439,365
Supporting Services	<u>2,173,794</u>	<u>163,752</u>	<u>84,232</u>
Total Governmental Activities	<u>5,500,965</u>	<u>293,156</u>	<u>523,597</u>
Business-Type Activities			
Building Corporation	<u>886,059</u>	<u>-</u>	<u>-</u>
TOTAL PRIMARY GOVERNMENT	\$ <u>6,387,024</u>	\$ <u>293,156</u>	\$ <u>523,597</u>

GENERAL REVENUES

Per Pupil Revenue

Additional At-Risk Funding

Capital Construction

Contributions not Restricted to Specific Programs

Investment Income

Miscellaneous

TRANSFERS

TOTAL GENERAL REVENUES AND TRANSFERS

CHANGE IN NET POSITION

NET POSITION, Beginning

NET POSITION, Ending

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

NET (EXPENSE) REVENUE
AND CHANGE IN NET POSITION

GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
\$ (2,758,402)	\$ -	\$ (2,758,402)
<u>(1,925,810)</u>	<u>-</u>	<u>(1,925,810)</u>
(4,684,212)	-	(4,684,212)
-	(886,059)	(886,059)
<u>(4,684,212)</u>	<u>(886,059)</u>	<u>(5,570,271)</u>
5,042,921	-	5,042,921
3,562	-	3,562
176,472	-	176,472
14,827	-	14,827
7,717	3,843	11,560
35,442	-	35,442
<u>(821,045)</u>	<u>821,045</u>	<u>-</u>
<u>4,459,896</u>	<u>824,888</u>	<u>5,284,784</u>
(224,316)	(61,171)	(285,487)
<u>(6,419,562)</u>	<u>(874,262)</u>	<u>(7,293,824)</u>
\$ <u><u>(6,643,878)</u></u>	\$ <u><u>(935,433)</u></u>	\$ <u><u>(7,579,311)</u></u>

HIGH POINT ACADEMY

BALANCE SHEET
GOVERNMENTAL FUND

June 30, 2016

	<u>GENERAL</u>
ASSETS	
Cash and Investments	\$ 2,041,241
Restricted Cash and Investments	160,631
Accounts Receivable	80,554
Grants Receivable	76,371
Prepaid Expenditures	33,462
Deposits	<u>1,100</u>
TOTAL ASSETS	\$ <u>2,393,359</u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts Payable	\$ 29,714
Accrued Liabilities	76,241
Accrued Salaries and Benefits	166,137
Unearned Revenues	<u>8,745</u>
TOTAL LIABILITIES	<u>280,837</u>
FUND BALANCE	
Nonspendable Prepaid Expenditures	33,462
Nonspendable Deposits	1,100
Restricted for Repair and Replacement	160,631
Restricted for Emergencies	175,000
Unrestricted, Unassigned	<u>1,742,329</u>
TOTAL FUND BALANCE	<u>2,112,522</u>
TOTAL LIABILITIES AND FUND BALANCE	\$ <u>2,393,359</u>

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

Total Fund Balance of the Governmental Fund	\$ 2,112,522
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	34,711
Long-term liabilities and related items, including net pension liability (\$9,758,566), pension-related deferred outflows of resources \$1,245,340, and pension-related deferred inflows of resources (\$277,885), are not due and payable in the current year and, therefore, are not reported in governmental funds.	<u>(8,791,111)</u>
Total Net Position of Governmental Activities	\$ <u>(6,643,878)</u>

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

HIGH POINT ACADEMY

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

	<u>GENERAL</u>
REVENUES	
Local Sources	\$ 5,399,834
State Sources	461,270
Federal Sources	236,590
 TOTAL REVENUES	 6,097,694
EXPENDITURES	
Instruction	3,044,514
Supporting Services	2,871,186
 TOTAL EXPENDITURES	 5,915,700
 NET CHANGE IN FUND BALANCE	 181,994
FUND BALANCE, Beginning	1,930,528
FUND BALANCE, Ending	\$ 2,112,522

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

Net Change in Fund Balance of the Governmental Fund	\$ 181,994
 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 amount represents depreciation expense in the current year.	(7,713)
 Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This amount represents the change in the net pension liability (\$1,008,919), pension-related deferred outflows of resources \$783,254, and pension-related deferred inflows of resources (\$172,932) in the current year.	(398,597)
Change in Net Position of Governmental Activities	\$ (224,316)

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

HIGH POINT ACADEMY

STATEMENT OF NET POSITION
PROPRIETARY FUND

June 30, 2016

	<u>BUILDING CORPORATION</u>
ASSETS	
CURRENT ASSETS	
Restricted Cash and Investments	\$ <u>1,094,301</u>
NONCURRENT ASSETS	
Capital Assets, Not Being Depreciated	1,535,000
Capital Assets, Net of Accumulated Depreciation	<u>7,484,030</u>
TOTAL NONCURRENT ASSETS	<u>9,019,030</u>
TOTAL ASSETS	<u>10,113,331</u>
LIABILITIES	
CURRENT LIABILITIES	
Accrued Interest Payable	193,796
Loan Payable, Current Portion	<u>230,000</u>
TOTAL CURRENT LIABILITIES	423,796
NONCURRENT LIABILITIES	
Loan Payable	<u>10,624,968</u>
TOTAL LIABILITIES	<u>11,048,764</u>
NET POSITION	
Net Investment in Capital Assets	(1,835,938)
Restricted for Debt Service	<u>900,505</u>
TOTAL NET POSITION	<u>\$ (935,433)</u>

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

HIGH POINT ACADEMY

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

	<u>BUILDING CORPORATION</u>
OPERATING REVENUES	
Lease Revenue	\$ <u>821,045</u>
OPERATING EXPENSES	
Depreciation	278,315
Debt Service	
Interest and Fiscal Charges	<u>607,744</u>
TOTAL OPERATING EXPENSES	<u>886,059</u>
NET OPERATING INCOME (LOSS)	(65,014)
NONOPERATING REVENUES	
Investment Income	<u>3,843</u>
CHANGE IN NET POSITION	(61,171)
NET POSITION, Beginning	<u>(874,262)</u>
NET POSITION, Ending	\$ <u><u>(935,433)</u></u>

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

HIGH POINT ACADEMY

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

Increase (Decrease) in Cash and Cash Equivalents
Year Ended June 30, 2016

	<u>BUILDING CORPORATION</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Lease Payments Received	\$ 821,045
Loan Principal Paid	(220,000)
Loan Interest and Fiscal Charges Paid	<u>(603,640)</u>
Net Cash Provided (Used) by Operating Activities	<u>(2,595)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Earnings Received	<u>3,843</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,248
CASH AND CASH EQUIVALENTS, Beginning	<u>1,093,053</u>
CASH AND CASH EQUIVALENTS, Ending	<u>\$ 1,094,301</u>
RECONCILIATION OF NET OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Net Operating Income (Loss)	\$ (65,014)
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Depreciation Expense	278,315
Amortization of Discount	7,404
Changes in Assets and Liabilities	
Accrued Interest Payable	(3,300)
Loan Payable	<u>(220,000)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (2,595)</u>

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

HIGH POINT ACADEMY
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

High Point Academy (the “School”) was organized pursuant to the Colorado Charter Schools Act to form and operate a charter school. On April 11, 2006, the School entered into a contract with the Colorado Charter School Institute (the “Institute”) to authorize the School for an initial term of five years. The current contract expires on June 30, 2021.

The accounting policies of the School conform to generally accepted accounting principles as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Following is a summary of the School’s more significant policies.

Reporting Entity

The financial reporting entity consists of the School, organizations for which the School is financially accountable, and organizations that raise and hold economic resources for the direct benefit of the School. All funds, organizations, institutions, agencies, departments and offices that are not legally separate are part of the School. Legally separate organizations for which the School is financially accountable are considered part of the reporting entity. Financial accountability exists if the School appoints a voting majority of the organization’s governing board and is able to impose its will on the organization, or if the organization has the potential to provide benefits to, or impose financial burdens on, the School.

The School includes the High Point Academy Building Corp. (the “Corporation”) within its reporting entity. The Corporation is a non-profit entity organized to hold title to property and otherwise act to facilitate the operations of the School. The Corporation is blended into the School’s financial statements as an enterprise fund, and does not issue separate financial statements.

Government-Wide and Fund Financial Statements

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

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

Separate financial statements are provided for the governmental fund and the proprietary fund. Major individual funds are reported as separate columns in the fund financial statements.

HIGH POINT ACADEMY
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current year or soon enough thereafter to pay liabilities of the current year, not to exceed 60 days. Intergovernmental revenues, grants, and interest associated with the current year are considered to be susceptible to accrual and so have been recognized as revenues of the current year. All other revenues are considered to be measurable and available only when cash is received by the School. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with ongoing operations. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

The School reports the following major governmental fund:

General Fund - This fund is the general operating fund of the School. It is currently used to account for all financial activities of the School.

The School reports the following major proprietary fund:

Building Corporation - This fund is used to account for the financial activities of the Corporation, primarily related to capital assets and the related debt service.

Assets, Liabilities and Net Position/Fund Balance

Cash and Investments - Cash equivalents are defined as investments with original maturities of three months or less. Investments are reported at fair value. The external investment pools are valued at the net asset value per share, which is measured using amortized cost.

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

Prepaid Expenses - Certain payments to vendors reflect costs applicable to future years and are reported as prepaid expenses.

HIGH POINT ACADEMY
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Capital Assets - Capital assets, which include land, buildings and equipment, are reported in the government-wide financial statements and the proprietary fund in the fund financial statements. Capital assets are defined as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the acquisition value on the date of donation. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the asset lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives.

Buildings and Improvements	5 - 35 years
Equipment	5 years

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 the school year of approximately nine to ten months. The accrued salaries and benefits earned, but unpaid, are reported as a liability of the General Fund.

Unearned Revenues - Unearned revenues represent resources received by the School before it has a legal claim to them, including tuition and fees.

Long-Term Debt - In the government-wide financial statements and the proprietary fund in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Debt premiums and discounts are deferred and amortized over the life of the debt using the straight-line method. In the governmental fund financial statements, 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 are reported as other financing uses.

Issuance costs, whether or not withheld from the debt proceeds, are reported as current expenses or expenditures.

Compensated Absences - Employees are allowed to accumulate paid time off (PTO) up to 12 days. Upon termination of employment from the School, an employee will be compensated for all accrued PTO at a reimbursement rate specified in their offer letter. A liability for compensated absences is not reported in the financial statements because the amount is insignificant.

Pensions - The School participates in the School Division Trust Fund (SDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado (PERA). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position, and additions to and deductions from the SDTF's fiduciary net position have been determined using the economic resources measurement focus and the accrual basis of accounting, the same basis of accounting used by the SDTF. 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.

HIGH POINT ACADEMY
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Net Position/Fund Balance - In the government-wide and fund financial statements, net position and fund balance are restricted when constraints placed on the use of resources are externally imposed. The Governing Board is authorized to establish a fund balance commitment through passage of a resolution, and may assign fund balances to a specific purpose through an informal action.

The School has not established a formal policy for its use of restricted and unrestricted fund balances. However, if both restricted and unrestricted fund balances are available for a specific purpose, the School uses restricted fund balances first, followed by committed, assigned and unassigned balances.

Risk Management

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The School carries commercial insurance for these risks of loss.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Accountability

At June 30, 2016, the Corporation had a negative net position of \$935,433. Management expects this negative balance to be eliminated as the Corporation's debt is paid.

NOTE 3: CASH AND INVESTMENTS

At June 30, 2016, cash and investments consisted of the following:

Deposits	\$ 195,172
Investments	<u>3,101,001</u>
Total	<u>\$ 3,296,173</u>

Cash and investments are reported in the financial statements as follows:

Cash and Investments	\$ 2,041,241
Restricted Cash and Investments	<u>1,254,932</u>
Total	<u>\$ 3,296,173</u>

HIGH POINT ACADEMY
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 3: CASH AND INVESTMENTS (Continued)

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires all local government entities to deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

Investments

The School is required to comply with State statutes which specify investment instruments meeting defined rating, maturity and concentration risk criteria in which local governments may invest, which include the following. State statutes do not address custodial risk.

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

Interest Rate Risk - State statutes generally limit investments to an original maturity of five years unless the governing board authorizes the investment for a period in excess of this limit.

Credit Risk - State statutes limit most investments to those with certain ratings from nationally recognized statistical rating organizations, depending on the type of investment.

Concentration of Credit Risk - State statutes do not limit the amount the School may invest in a single issuer, except for corporate securities.

Local Government Investment Pools - At June 30, 2016, the School had \$1,846,069 invested in the Colorado Surplus Asset Fund Trust (CSAFE). The School and the Corporation had \$160,631 and \$1,094,301, respectively, invested in the Colorado Local Government Liquid Asset Trust (Colotrust). The Trusts are investment vehicles established for local government entities in Colorado to pool surplus funds. The Colorado Division of Securities administers and enforces the requirements of creating and operating the Trusts. The Trusts operate in conformity with the Securities and Exchange Commission's Rule 2a-7, with each share valued at \$1. The Trusts are rated AAAM by Standard and Poor's. Investments of the Trusts are limited to those allowed by State statutes. A designated custodial bank provides safekeeping and depository services to the Trusts in connection with the direct investment and withdrawal functions. The custodian's internal records identify the investments owned by the participating governments.

HIGH POINT ACADEMY
NOTES TO FINANCIAL STATEMENTS
 June 30, 2016

NOTE 3: CASH AND INVESTMENTS (Continued)

Restricted Cash and Investments

At June 30, 2016, the School and the Corporation held cash and investments of \$160,631 and \$1,094,301, respectively, restricted for building repair and replacement and future debt service.

NOTE 4: CAPITAL ASSETS

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

	<u>Balances</u> 6/30/15	<u>Additions</u>	<u>Deletions</u>	<u>Balances</u> 6/30/16
Governmental Activities				
Capital Assets, Being Depreciated				
Equipment	\$ 100,118	\$ -	\$ 22,984	\$ 77,134
Accumulated Depreciation	<u>(57,694)</u>	<u>(7,713)</u>	<u>(22,984)</u>	<u>(42,423)</u>
Governmental Activities Capital Assets, Net	<u>\$ 42,424</u>	<u>\$ (7,713)</u>	<u>\$ -</u>	<u>\$ 34,711</u>
Business-Type Activities				
Capital Assets, Not Being Depreciated				
Land	<u>\$ 1,535,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,535,000</u>
Capital Assets, Being Depreciated				
Buildings and Improvements	8,970,182	-	-	8,970,182
Accumulated Depreciation	<u>(1,207,837)</u>	<u>(278,315)</u>	<u>-</u>	<u>(1,486,152)</u>
Capital Assets, Being Depreciated, Net	<u>7,762,345</u>	<u>(278,315)</u>	<u>-</u>	<u>7,484,030</u>
Business-Type Activities Capital Assets, Net	<u>\$ 9,297,345</u>	<u>\$ (278,315)</u>	<u>\$ -</u>	<u>\$ 9,019,030</u>

Depreciation expense of the governmental activities was charged to the supporting services program.

NOTE 5: LONG-TERM DEBT

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

	<u>Balances</u> 6/30/15	<u>Additions</u>	<u>Payments</u>	<u>Balances</u> 6/30/16	<u>Due Within</u> <u>One Year</u>
Business-Type Activities					
Building Loan	\$ 11,265,000	\$ -	\$ 220,000	\$ 11,045,000	\$ 230,000
Discount	<u>(197,436)</u>	<u>-</u>	<u>(7,404)</u>	<u>(190,032)</u>	<u>-</u>
Total	<u>\$ 11,067,564</u>	<u>\$ -</u>	<u>\$ 212,596</u>	<u>\$ 10,854,968</u>	<u>\$ 230,000</u>

HIGH POINT ACADEMY
NOTES TO FINANCIAL STATEMENTS
 June 30, 2016

NOTE 5: LONG-TERM DEBT (Continued)

In February, 2010, the Colorado Educational and Cultural Facilities Authority (CECFA) issued \$11,930,000 Charter School Revenue Bonds (High Point Academy Project), Series 2010. Bond proceeds were loaned to the Corporation to acquire land and construct and equip an educational facility. The School is obligated under a lease agreement to make monthly payments to the Corporation for using the facilities. The Corporation is required to make equal loan payments to the Trustee, for payment of the bonds. Interest accrues at rates ranging from 2.375% to 6.25% per annum and is due semi-annually on March 1 and September 1. Principal payments are due annually on March 1, through 2042.

Future debt service requirements are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 230,000	\$ 581,388	\$ 811,388
2018	240,000	571,038	811,038
2019	250,000	560,238	810,238
2020	260,000	548,987	808,987
2021	275,000	537,287	812,287
2022 - 2026	1,600,000	2,465,188	4,065,188
2027 - 2031	2,050,000	2,022,687	4,072,687
2032 - 2036	2,640,000	1,445,175	4,085,175
2037 - 2041	3,445,000	660,987	4,105,987
2042	55,000	3,437	58,437
Total	<u>\$ 11,045,000</u>	<u>\$ 9,396,412</u>	<u>\$ 20,441,412</u>

NOTE 6: DEFINED BENEFIT PENSION PLAN

General Information

Plan Description - The School contributes to the School Division Trust Fund (SDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado (PERA). All employees of the School participate in the SDTF. Title 24, Article 51 of the Colorado Revised Statutes (CRS) assigns the authority to establish and amend plan provisions to the State Legislature. PERA issues a publicly available financial report that includes information on the SDTF. That report may be obtained at www.copera.org/investments/pera-financial-reports.

Benefits Provided - The SDTF provides retirement, disability, and survivor benefits to plan participants or their beneficiaries. Retirement benefits are determined by the amount of service credit earned or purchased, highest average salary, the benefit structure in place, the benefit option selected at retirement, and age at retirement. The retirement benefit is the greater of the a) highest average salary multiplied by 2.5% and then multiplied by years of service credit, or b) the value of the participant's contribution account plus an equal match on the retirement date, annualized into a monthly amount based on life expectancy and other actuarial factors. In no case can the benefit amount exceed the highest average salary or the amount allowed by applicable federal regulations.

HIGH POINT ACADEMY
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)

General Information (Continued)

Retirees who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments (COLAs) as established by State statutes. Retirees who began employment before January 1, 2007, receive an annual increase of 2%, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2% or the average consumer price index for the prior calendar year. Retirees that began employment after January 1, 2007, receive an annual increase of the lesser of 2% or the average consumer price index for the prior calendar year, with certain limitations.

Disability benefits are available for plan participants once they reach five years of earned service credit and meet the definition of a disability. The disability benefit amount is based on the retirement benefit formula described previously, considering a minimum of twenty years of service credit.

Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure in place, and the qualified survivor receiving the benefits.

Contributions - The School and eligible employees are required to contribute to the SDTF at rates established by Title 24, Article 51, Part 4 of the CRS. These contribution requirements are established and may be amended by the State Legislature. The contribution rate for employees is 8% of covered salaries. The School's contribution rate for calendar years 2015 and 2016 was 18.35% and 19.15% of covered salaries, respectively. However, a portion of the School's contribution (1.02% of covered salaries) is allocated to the Health Care Trust Fund (See Note 7). The School's contributions to the SDTF for the year ended June 30, 2016, were \$532,851, equal to the required contributions.

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

At June 30, 2016, the School reported a net pension liability of \$9,758,566, representing its proportionate share of the net pension liability of the SDTF. The net pension liability was measured at December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. Changes in assumptions and other inputs since the prior measurement date did not significantly affect the total pension liability. 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 SDTF for the calendar year ended December 31, 2015, relative to the contributions of all participating employers. At December 31, 2015, the School's proportion was 0.0638052752%, which was a decrease of 0.0007517595% from its proportion measured at December 31, 2014.

For the year ended June 30, 2016, the School recognized pension expense of \$904,574. At June 30, 2016, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

HIGH POINT ACADEMY
NOTES TO FINANCIAL STATEMENTS
 June 30, 2016

NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 128,863	\$ 411
Changes of assumptions and other inputs	-	137,906
Net difference between projected and actual earnings on plan investments	831,509	-
Changes in proportion	-	139,568
Contributions subsequent to the measurement date	<u>284,968</u>	<u>-</u>
Total	<u>\$ 1,245,340</u>	<u>\$ 277,885</u>

School contributions subsequent to the measurement date of \$284,968 will be recognized as a reduction of the net pension liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30,

2017	\$ 150,165
2018	161,826
2019	200,347
2020	<u>170,149</u>
Total	<u>\$ 682,487</u>

Actuarial Assumptions - The actuarial valuation as of December 31, 2014, determined the total pension liability using the following actuarial assumptions and other inputs, applied to all periods included in the measurement:

Price inflation	2.8%
Real wage growth	1.1%
Wage inflation	3.9%
Salary increases, including wage inflation	3.9% - 10.1%
Long-term investment rate of return, net of plan investment expenses, including price inflation	7.5%
Future post-retirement benefit increases:	
Hired prior to 1/1/07	2%
Hired after 12/31/06	ad hoc

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

HIGH POINT ACADEMY
NOTES TO FINANCIAL STATEMENTS
 June 30, 2016

NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)

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

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 governing board on November 13, 2012, and an economic assumption study, adopted by PERA's governing board on November 15, 2013 and January 17, 2014.

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

The most recent analysis of the long-term expected rate of return was presented to the PERA governing board on November 15, 2013, and included the target allocation and best estimates of geometric real rates of return for each major asset class, as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>10 Year Expected Geometric Real Rate of Return</u>
U.S. Equity - Large Cap	26.76%	5.00%
U.S. Equity - Small Cap	4.40%	5.19%
Non U.S. Equity - Developed	22.06%	5.29%
Non U.S. Equity - Emerging	6.24%	6.76%
Core Fixed Income	24.05%	0.98%
High Yield	1.53%	2.64%
Long Duration Government/Credit	0.53%	1.57%
Emerging Market Bonds	0.43%	3.04%
Real Estate	7.00%	5.09%
Private Equity	7.00%	7.15%
Total	<u><u>100.00%</u></u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and the employer contributions will be made at the rates specified in State statutes, which currently require annual increases, to a total of 20.15% of covered salaries for the year ended December 31, 2018. When the actuarially determined funding ratio reaches 103%, the employer contribution rate will decrease .5% each year, to a minimum of 10.15%. Based on those assumptions, the SDTF's fiduciary net position was projected to be available to make all projected future benefit payments to current participants. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability. In addition, the discount rate did not change from the prior measurement date.

HIGH POINT ACADEMY
NOTES TO FINANCIAL STATEMENTS
 June 30, 2016

NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)

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

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the School's proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as the School's proportionate share of the net pension liability if it were calculated using a discount that is one percentage point lower (6.5%) or one percentage point higher (8.5%) than the current rate, as follows:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Proportionate share of the net pension liability	<u>\$ 12,649,954</u>	<u>\$ 9,758,566</u>	<u>\$ 7,353,471</u>

Pension Plan Fiduciary Net Position - Detailed information about the SDTF's fiduciary net position is available in PERA's separately issued financial report, which may be obtained at www.copera.org/investments/pera-financial-reports.

NOTE 7: POSTEMPLOYMENT HEALTHCARE BENEFITS

Plan Description - The School contributes to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer postemployment healthcare plan administered by PERA. The HCTF provides a health care premium subsidy to PERA benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the CRS, as amended, assigns the authority to establish the HCTF benefit provisions to the State Legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for the HCTF. That report may be obtained as described previously.

Funding Policy - The School is required to contribute at a rate of 1.02% of covered salaries for all PERA participants. No employee contributions are required. The contribution requirements for the School are established under Title 24, Article 51, Part 4 of the CRS, as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208 of the CRS, as amended. The School's apportionment to the HCTF for the years ended June 30, 2016, 2015 and 2014 was \$28,980, \$27,660 and \$26,921, respectively, equal to the required amounts for each year.

NOTE 8: COMMITMENTS AND CONTINGENCIES

Claims and Judgements

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

HIGH POINT ACADEMY
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 8: **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 taxing powers and imposes spending limitations. The Amendment is subject to many interpretations, but the School believes it is in substantial compliance with the Amendment. In accordance with the Amendment, the School has established an emergency reserve representing 3% of qualifying expenditures. At June 30, 2016, the reserve was reported as restricted fund balance in the General Fund, in the amount of \$175,000.

REQUIRED SUPPLEMENTARY INFORMATION

HIGH POINT ACADEMY

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
AND CONTRIBUTIONS

PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO SCHOOL DIVISION TRUST FUND

June 30, 2016

	<u>12/31/15</u>	<u>12/31/14</u>	<u>12/31/13</u>
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY			
School's Proportion of the Net Pension Liability	0.0638052752%	0.0645570347%	0.0656776196%
School's Proportionate Share of the Net Pension Liability	\$ 9,758,566	\$ 8,749,647	\$ 8,377,163
School's Covered-Employee Payroll	\$ 2,780,620	\$ 2,704,490	\$ 2,647,676
School's Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll	351%	324%	316%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	59%	63%	64%
	<u>6/30/16</u>	<u>6/30/15</u>	<u>6/30/14</u>
SCHOOL CONTRIBUTIONS			
Statutorily Required Contribution	\$ 503,870	\$ 465,113	\$ 421,797
Contributions in Relation to the Statutorily Required Contribution	<u>(503,870)</u>	<u>(465,113)</u>	<u>(421,797)</u>
Contribution Deficiency (Excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
School's Covered-Employee Payroll	\$ 2,841,217	\$ 2,755,547	\$ 2,639,276
Contributions as a Percentage of Covered-Employee Payroll	17.73%	16.88%	15.98%

This schedule is presented to show information for 10 years. Until information for the full 10-year period is available, information will be presented for the years it is available.

See the accompanying Independent Auditors' Report.

HIGH POINT ACADEMY

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Year Ended June 30, 2016

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	VARIANCE Positive (Negative)
REVENUES				
Local Sources				
Per Pupil Revenue	\$ 5,045,618	\$ 5,023,679	\$ 5,042,921	\$ 19,242
Tuition	126,150	94,585	105,385	10,800
Student Fees and Activities	20,650	23,085	24,019	934
After School Program Fees	147,339	161,657	163,322	1,665
Grants and Contributions	38,428	15,670	20,598	4,928
Rental Income	2,000	2,000	430	(1,570)
Investment Income	2,150	4,400	7,717	3,317
Miscellaneous	24,860	41,970	35,442	(6,528)
Total Local Sources	<u>5,407,195</u>	<u>5,367,046</u>	<u>5,399,834</u>	<u>32,788</u>
State Sources				
Additional At-Risk Fnding	-	-	3,562	3,562
Capital Construction	164,625	181,686	176,472	(5,214)
Grants	215,310	285,423	281,236	(4,187)
Total State Sources	<u>379,935</u>	<u>467,109</u>	<u>461,270</u>	<u>(5,839)</u>
Federal Sources				
Grants	175,516	236,363	236,590	227
TOTAL REVENUES	<u>5,962,646</u>	<u>6,070,518</u>	<u>6,097,694</u>	<u>27,176</u>
EXPENDITURES				
Salaries	3,043,950	3,077,374	2,989,939	87,435
Employee Benefits	889,541	910,838	934,659	(23,821)
Purchased Services	1,684,805	1,699,374	1,642,855	56,519
Supplies and Materials	307,621	277,644	256,318	21,326
Property	53,234	65,211	85,696	(20,485)
Other	8,120	8,120	6,233	1,887
Reserves	1,751,805	1,962,485	-	1,962,485
TOTAL EXPENDITURES	<u>7,739,076</u>	<u>8,001,046</u>	<u>5,915,700</u>	<u>2,085,346</u>
NET CHANGE IN FUND BALANCE	<u>(1,776,430)</u>	<u>(1,930,528)</u>	<u>181,994</u>	<u>2,112,522</u>
FUND BALANCE, Beginning	<u>1,776,430</u>	<u>1,930,528</u>	<u>1,930,528</u>	<u>-</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,112,522</u>	<u>\$ 2,112,522</u>

See the accompanying Independent Auditors' Report.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2016

NOTE 1: SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND CONTRIBUTIONS

The Public Employees' Retirement Association of Colorado School Division Trust Fund's net pension liability and associated amounts are measured annually at December 31, based on an actuarial valuation as of the previous December 31. The School's contributions and related ratios represent cash contributions and any related accruals that coincide with the School's fiscal year ending on June 30.

Changes in Assumptions and Other Inputs

For the year ended June 30, 2016, the total pension liability was determined by an actuarial valuation as of December 31, 2014. The following programming and methodology changes were made since the prior actuarial valuation as of December 31, 2013.

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

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**Budgetary Information**

Budgets are required by State statutes for all funds and are adopted on a basis consistent with generally accepted accounting principles.

The School adheres to the following procedures to establish the budgetary information reflected in the financial statements.

- Management submits to the Governing Board a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them.
- Prior to June 30, the budget is adopted by the Governing Board.
- Expenditures may not legally exceed appropriations at the fund level. Revisions that alter the total expenditures of any fund must be approved by the Governing Board.
- All appropriations lapse at fiscal year end.