

**COLORADO SPRINGS CHARTER ACADEMY**

**BASIC FINANCIAL STATEMENTS**

**June 30, 2016**



**RECEIVED**

*By Justin L. Smith at 2:06 pm, Jan 03, 2017*

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## JOHN CUTLER & ASSOCIATES

Board of Directors  
Colorado Springs Charter Academy  
Colorado Springs, Colorado

### INDEPENDENT AUDITORS' REPORT

#### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Colorado Springs Charter Academy, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

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

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

#### Auditor's Responsibility

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

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

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

#### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Colorado Springs Charter Academy, as of and for the year ended 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 27-29 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

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

*John Luttrell & Associates, LLC*

October 14, 2016

**Management's Discussion and Analysis**  
**Colorado Springs Charter Academy**  
**June 30, 2016**

As management of Colorado Springs Charter Academy, we offer readers of Colorado Springs Charter Academy's financial statements this narrative overview and analysis of the financial activities of the Colorado Springs Charter Academy for the fiscal year ended June 30, 2016. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the School's financial statements, which follow this narrative.

**Financial Highlights**

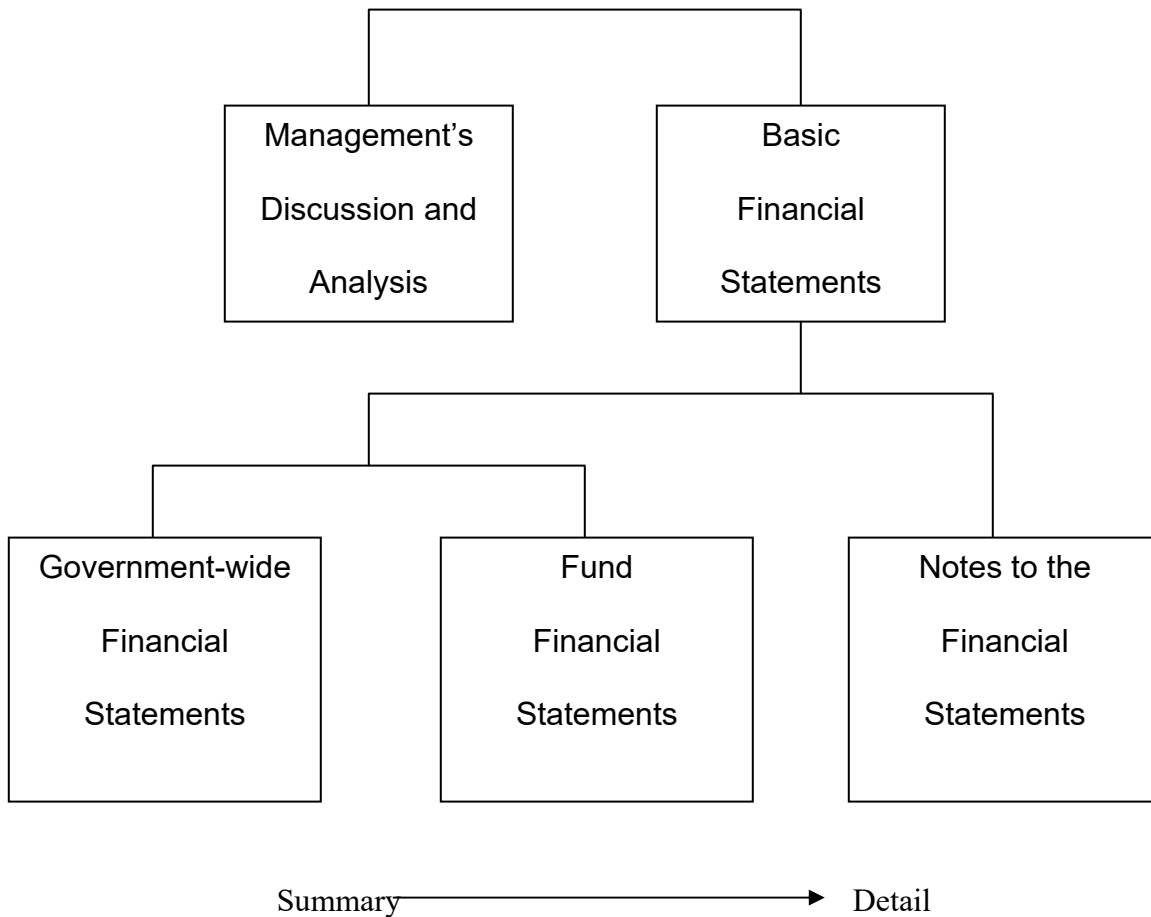
- The liabilities of Colorado Springs Charter Academy exceeded its assets at the close of the fiscal year by \$4,512,231. The main reason is the reporting of pension related liabilities. Otherwise the school would show positive net assets of \$280,905
- The school's total net assets decreased by \$165,201.
- As of the close of the current fiscal year, Colorado Springs Charter Academy's governmental funds reported combined ending fund balances of \$1,815,146, an increase of \$292,171 in comparison with the prior year.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to Colorado Springs Charter Academy's basic financial statements. The School's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The basic financial statements present two different views of the School through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of Colorado Springs Charter Academy.

## Required Components of Annual Financial Report

Figure 1



### Basic Financial Statements

The first two statements (Pages 1 and 2) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the School's financial status.

The next statements (Pages 3 and 4) are **Fund Financial Statements**.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the budgetary information for the school.

**Management Discussion and Analysis  
Colorado Springs Charter Academy  
June 30, 2016**

**Government-wide Financial Statements**

The government-wide financial statements are designed to provide the reader with a broad overview of the School's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the School's financial status as a whole.

The two government-wide statements report the School's net assets and how they have changed. Net assets are the difference between the School's total assets and total liabilities. Measuring net assets is one way to gauge the School's financial condition.

The government-wide financial statements are on pages 1 and 2 of this report.

**Fund Financial Statements**

The fund financial statements provide a more detailed look at the School's most significant activities on a fund accounting basis. 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. Colorado Springs Charter Academy uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements.

**Governmental Funds** – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. The School's basic services are accounted for in a governmental fund. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* that provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the School's programs. The relationship between government activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

Colorado Springs Charter Academy adopts an annual budget on a fund basis. The budgetary comparison statements are not included in the basic financial statements, but are part of the supplemental statements and schedules that follow the notes. The budget is a legally adopted document that incorporates input from the faculty, management, and the Board of Directors of the School in determining what activities will be pursued and what services will be provided by the School during the year. It also authorizes the School to obtain funds from identified sources to finance these current period activities. The budgetary statement provided demonstrates how well the School has complied with the budget ordinance and whether or not the School has succeeded in providing the services as planned when the budget was adopted.

**Management Discussion and Analysis**  
**Colorado Springs Charter Academy**  
**June 30, 2016**

**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.

**Government-Wide Financial Analysis**

As noted earlier, net assets may serve over time as one useful indicator of a school’s financial condition. The liabilities of Colorado Springs Charter Academy exceeded its assets by \$4,512,231 as of June 30, 2016. The School’s net assets decreased by \$165,201 for the fiscal year ended June 30, 2016.

**The Colorado Springs Charter Academy’s Net Assets**

	Governmental Activities	
	2016	2015
<b>ASSETS</b>		
Cash and Investments	923,746	688,586
Accounts Receivable	53,847	56,220
Restricted Cash and Investments	959,596	933,463
Prepaid Expenses	13,200	
Debt Issuance Costs, Net of Accumulated Amortization	71,834	80,117
Capital Assets, Net of Accumulated Depreciation	5,168,925	5,424,264
<b>TOTAL ASSETS</b>	<u>7,191,148</u>	<u>7,182,650</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Related to Pensions	875,947	426,730
<b>LIABILITIES</b>		
Accounts Payable	10	28,288
Accrued Salaries and Liabilities	90,909	84,420
Accrued Expenses	44,324	42,586
Noncurrent Liabilities		
Due in One Year	135,000	130,000
Due in More Than One Year	6,640,000	6,775,000
Net Pension Liabilities	5,589,856	4,895,842
<b>TOTAL LIABILITIES</b>	<u>12,500,099</u>	<u>11,956,136</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Related to Pensions	79,227	274

**Management Discussion and Analysis  
Colorado Springs Charter Academy  
June 30, 2016**

NET ASSETS

Invested in Capital Assets	(646,479)	(547,273)
Restricted for Emergencies	103,000	102,000
Restricted for Debt Service	933,463	933,463
Unrestricted	<u>(4,902,215)</u>	<u>(4,835,220)</u>
TOTAL NET ASSETS	<u><u>(4,512,231)</u></u>	<u><u>(4,347,030)</u></u>

- The school's positive change was due to spending below the budget.
- The negative fund balance is due to the changes in recording Net Pension Liability according to GASB 68 and is not related to operations at the school.

**Colorado Springs Charter Academy Changes in Net Assets**

	2016	2015
<b>Program Revenues</b>		
Grants and Donations	245,025	250,395
Charges for Services	98,340	92,871
<b>General Revenues</b>		
Per Pupil Revenue	3,298,160	3,217,181
Interest	3,938	1,976
Other	54,943	59,590
<b>Total Revenues</b>	<u><b>3,700,406</b></u>	<u><b>3,622,013</b></u>
<b>Program Expenses</b>		
Instructional	1,975,510	1,661,624
Support	1,518,299	1,491,745
Debt Service	<u>371,798</u>	<u>378,325</u>
<b>Total Expenses</b>	<u><b>3,865,607</b></u>	<u><b>3,441,694</b></u>
Change in Net Assets	<b>(165,201)</b>	<b>180,319</b>
Beginning Net Assets	<u><b>(4,347,030)</b></u>	<u><b>(4,527,349)</b></u>
Ending Net Assets	<u><u><b>(4,512,231)</b></u></u>	<u><u><b>(4,347,030)</b></u></u>

**Management Discussion and Analysis  
Colorado Springs Charter Academy  
June 30, 2016**

**Governmental activities:** Governmental activities decreased the School's net assets by \$165,201 for the year.

**Financial Analysis of the School's Funds**

As noted earlier, **Colorado Springs Charter Academy** uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The focus of the Colorado Springs Charter Academy's general fund is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing Colorado Springs Charter Academy's financing requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, unassigned fund balance of the General Fund was \$765,483, while total fund balance was increased to \$1,815,146. The School is required by statute to keep an emergency reserve, which was \$103,000 as of June 30, 2016.

**Capital Asset and Debt Administration**

**Capital assets.** Colorado Springs Charter Academy's investment in capital assets is \$5,168,925 at June 30, 2016. It consists primarily of the school's land and building. More details can be found in note 4 of the footnotes to the financial statements.

**Long-term Debt.** CSCA long term debt for the facility is \$6,775,000. See Note 6 for more information.

**Economic Factors**

The following key economic indicators were considered in the School's budget:

- Student count and a PPR increase of 1.2% was used in developing the school's budget.

**Requests for Information**

This report is designed to provide an overview of the School's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Jake Murphy, Colorado Springs Charter Academy, 2577 North Chelton Rd., Colorado Springs, CO 80909, 719-636-2722.

## **BASIC FINANCIAL STATEMENTS**

COLORADO SPRINGS CHARTER ACADEMY

STATEMENT OF NET POSITION

June 30, 2016

	GOVERNMENTAL ACTIVITIES	
	2016	2015
<b>ASSETS</b>		
Cash and Investments	\$ 923,746	\$ 688,586
Restricted Cash and Investments	959,596	933,463
Accounts Receivable	53,847	56,220
Prepaid Expenses	13,200	-
Debt Issuance Costs, Net of Accumulated Amortization	71,834	80,117
Capital Assets, Depreciated, Net of Accumulated Depreciation	5,168,925	5,424,264
	<u>7,191,148</u>	<u>7,182,650</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Related to Pensions	875,947	426,730
	<u>875,947</u>	<u>426,730</u>
<b>LIABILITIES</b>		
Accounts Payable	10	28,288
Accrued Salaries and Benefits	90,909	84,420
Accrued Expenses	44,324	42,586
Noncurrent Liabilities		
Due in One Year	135,000	130,000
Due in More Than One Year	6,640,000	6,775,000
Net Pension Liability	5,589,856	4,895,842
	<u>12,500,099</u>	<u>11,956,136</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Related to Pensions	79,227	274
	<u>79,227</u>	<u>274</u>
<b>NET POSITION</b>		
Investment Capital Assets	(646,479)	(547,273)
Restricted for Emergencies	103,000	102,000
Restricted for Debt Service	933,463	933,463
Unrestricted	(4,902,215)	(4,835,220)
	<u>(4,902,215)</u>	<u>(4,835,220)</u>
<b>TOTAL NET POSITION</b>	<u>\$ (4,512,231)</u>	<u>\$ (4,347,030)</u>

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

COLORADO SPRINGS CHARTER ACADEMY

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2016

FUNCTIONS/PROGRAMS	Expenses	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
PRIMARY GOVERNMENT					2016	2015
<b>Governmental Activities</b>						
Instructional	\$ 1,975,510	\$ 70,592	\$ 92,938	\$ -	\$ (1,811,980)	\$ (1,561,841)
Supporting Services	1,518,299	27,748	30,398	121,689	(1,338,464)	(1,227,689)
Interest on Long-Term Debt	371,798	-	-	-	(371,798)	(378,325)
Total Governmental Activities	<u>\$ 3,865,607</u>	<u>\$ 98,340</u>	<u>\$ 123,336</u>	<u>\$ 121,689</u>	<u>(3,522,242)</u>	<u>(3,167,855)</u>
		GENERAL REVENUES				
					3,298,160	3,286,608
					3,938	1,976
					54,943	59,590
					<u>3,357,041</u>	<u>3,348,174</u>
					CHANGE IN NET POSITION	(165,201) 180,319
					NET POSITION, Beginning	(4,347,030) (4,527,349)
					NET POSITION, Ending	<u>\$ (4,512,231)</u> <u>\$ (4,347,030)</u>

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

COLORADO SPRINGS CHARTER ACADEMY

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2016

	TOTALS	
	2016	2015
<b>ASSETS</b>		
Cash and Investments	\$ 923,746	\$ 688,586
Restricted Cash and Investments	959,596	933,463
Accounts Receivable	53,847	56,220
Prepaid Expenses	13,200	-
TOTAL ASSETS	\$ 1,950,389	\$ 1,678,269
<b>LIABILITIES AND FUND BALANCES</b>		
<b>LIABILITIES</b>		
Accounts Payable	\$ 10	\$ 28,288
Accrued Salaries and Benefits	90,909	84,420
Accrued Expenses	44,324	42,586
TOTAL LIABILITIES	135,243	155,294
<b>FUND BALANCES</b>		
Nonspendable	13,200	-
Restricted for Emergencies	103,000	102,000
Restricted for Debt Service	933,463	933,463
Unassigned	765,483	487,512
TOTAL FUND BALANCES	1,815,146	1,522,975
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.	5,168,925	5,424,264
Long-term liabilities are not due and payable in the current period and are not reported in the funds. These include loan payable (\$6,775,000) and the discount of \$71,834.	(6,703,166)	(6,824,883)
Long-term liabilities and related to pensions are not due and payable in the current period and, therefore, are not reported in the funds. This liability includes net pension liability of (\$5,589,856), deferred outflows related to pensions of \$875,947, and deferred inflows related to pensions of (\$79,227).	(4,793,136)	(4,469,386)
Net position of governmental activities	\$ (4,512,231)	(4,347,030)

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

COLORADO SPRINGS CHARTER ACADEMY

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

	TOTALS	
	2016	2015
REVENUES		
Local Sources	\$ 3,486,211	\$ 3,473,693
State Sources	213,137	176,389
Federal Sources	1,058	41,358
	<u>3,700,406</u>	<u>3,691,440</u>
TOTAL REVENUES		
EXPENDITURES		
Current		
Instruction	1,736,030	1,731,214
Supporting Services	1,170,407	1,182,266
Debt Service		
Principal	130,000	120,000
Interest	371,798	378,325
	<u>3,408,235</u>	<u>3,411,805</u>
TOTAL EXPENDITURES		
NET CHANGE IN FUND BALANCES	292,171	279,635
FUND BALANCES, Beginning	<u>1,522,975</u>	<u>1,243,340</u>
FUND BALANCES, Ending	<u>\$ 1,815,146</u>	<u>\$ 1,522,975</u>

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

COLORADO SPRINGS CHARTER 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 Changes in Fund Balance - Total Governmental Funds	\$ 292,171
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 depreciation expense.	(255,339)
Repayment of long-term debt principal is an expenditure in the governmental funds, but repayment of principal reduces long-term liabilities in the statement of net position. This is the amount of loan principal that was paid during the year.	130,000
Debt issuance costs are an expenditure in the governmental funds, but are capitalized and amortized in the government-wide financial statements. This is the amount of amortization expense for the year.	(8,283)
Deferred Charges related to pensions are not recognized in the governmental funds. However, for the government-wide funds that amount is capitalized and amortized.	<u>(323,750)</u>
Change in net position of governmental activities	<u><u>\$ (165,201)</u></u>

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

COLORADO SPRINGS CHARTER ACADEMY

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS

June 30, 2016

	AGENCY	
	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and Investments	<u>\$ 10,008</u>	<u>\$ 5,342</u>
LIABILITIES		
Due to Student Groups	<u>10,008</u>	<u>5,342</u>
TOTAL NET POSITION	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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

COLORADO SPRINGS CHARTER ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

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

The Colorado Springs Charter Academy (the “Academy”) was formed in 2004 pursuant to the Colorado Charter Schools Act to form and operate a charter school. The Academy is utilizing a Core Knowledge curriculum.

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 organizations is included in the Academy’s reporting entity.

Colorado Springs Charter Academy Building Corporation

The Colorado Springs Charter Academy 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 purchase of the Academy’s facilities. The activities of the Building Corporation are included the Academy’s financial statements as part of the General Fund. Separate financial statements are not available for the Building Corporation.

**Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of Net Position and the statement of activities) report information on all of the nonfiduciary 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.

COLORADO SPRINGS CHARTER ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (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, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

Unrestricted intergovernmental revenues not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the Academy's government-wide financial statements. 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.

COLORADO SPRINGS CHARTER 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)

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 governmental fund:

*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 funds:

The *Agency Fund* is used to account for resources used to support each school's student activities. The Academy holds all resources in a purely custodial capacity.

**Deferred Outflows/Inflows of Resources**

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

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

**Assets, Liabilities and Fund Balance/Net Position**

*Investments* – Investments are recorded at fair value.

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

COLORADO SPRINGS CHARTER ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

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

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

*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 \$2,500 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.

Depreciation of exhaustible capital assets is charged as an expense against operations, and accumulated depreciation is reported on the statement of Net Position 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, 30 years; leasehold improvements, 20 years; equipment, 5 years.

*Long-term Debt* - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Premiums and discounts are deferred and amortized over the life of the debt using the straight-line method. Issuance costs are recognized in the current period. In the fund financial statements, governmental fund types recognize debt premiums and discounts, as well as debt issuance costs, during the current period. 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.

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

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

COLORADO SPRINGS CHARTER ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

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

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

*Fund Balance Classification* – The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the 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 because they are either not spendable in form or are legally or contractually required to be maintained intact. The Academy considers Prepaid Expenses as Nonspendable as of June 30, 2016.
- Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The Academy has classified Emergency Reserves as being restricted because their use is restricted by State Statute for declared emergencies, as well as amounts held to pay debt service.
- 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 fund balance.

COLORADO SPRINGS CHARTER ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

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

**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 purchases commercial insurance for these risks of loss. Settled claims have not exceeded any coverages in the last three years.

**Comparative Data**

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

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

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

**Budgets and Budgetary Accounting**

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

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

COLORADO SPRINGS CHARTER ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

**NOTE 3: CASH AND INVESTMENTS**

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

Cash on Hand	\$	601
Deposits		453,850
Investments		<u>1,438,899</u>
Total	\$	<u>1,893,350</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. 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 \$453,850. The bank balances with the financial institutions were \$487,566. Of these balances \$260,008 were covered by federal depository insurance and \$227,558 were 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.

COLORADO SPRINGS CHARTER ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

**NOTE 3:** *CASH AND INVESTMENTS* (Continued)

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 \$479,302 in the Colorado Government Liquid Asset Trust (COLOTRUST) which has a credit rating of AAA by Standard and Poor's. COLOTRUST is an investment vehicle established for local government entities in Colorado to pool surplus funds and is regulated by the State Securities Commissioner. It operates similarly to a money market fund and each share is equal in value to \$1.00. Investments consist of U.S. Treasury and U.S. Agency securities, and repurchase agreements collateralized by U.S. Treasury and U.S. Agency securities.

A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. Substantially all securities owned are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by the entities.

The Academy has also invested \$454,221 in a money market fund and \$505,376 in a U.S. Treasury note that matures in 2018.

**Restricted Cash**

Cash of \$959,596 is restricted for debt service and related expenditures.

COLORADO SPRINGS CHARTER ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

**NOTE 4: CAPITAL ASSETS**

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

	Balance <u>June 30, 2015</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2016</u>
<b>Governmental Activities</b>				
Capital Assets, Depreciated				
Leasehold Improvements	\$ 987,362	\$ -	\$ -	\$ 987,362
Building	6,023,145	-	-	6,023,145
Equipment	<u>45,066</u>	<u>-</u>	<u>-</u>	<u>45,066</u>
 Total Capital Assets	 <u>7,055,573</u>	 <u>-</u>	 <u>-</u>	 <u>7,055,573</u>
 Accumulated Depreciation				
Leasehold Improvements	255,346	49,374	-	304,720
Building	1,340,502	200,802	-	1,541,304
Equipment	<u>35,461</u>	<u>5,163</u>	<u>-</u>	<u>40,624</u>
 Total Accumulated Depreciation	 <u>1,631,309</u>	 <u>255,339</u>	 <u>-</u>	 <u>1,886,648</u>
 Net Capital Assets	 <u><b>\$ 5,424,264</b></u>	 <u><b>\$ (255,339)</b></u>	 <u><b>\$ -</b></u>	 <u><b>\$ 5,168,925</b></u>

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

**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 \$90,909, which is recorded in the General Fund.

COLORADO SPRINGS CHARTER ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

**NOTE 6: LONG-TERM DEBT**

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

	<u>Balance</u> <u>June 30, 2015</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>June 30, 2016</u>	<u>Due In</u> <u>One Year</u>
Bonds Payable	<u>\$ 6,905,000</u>	<u>\$ -</u>	<u>\$ 130,000</u>	<u>\$ 6,775,000</u>	<u>\$ 135,000</u>

**Bonds Payable**

In February 2010, the Colorado Educational and Cultural Facilities Authority (CECFA) issued \$7,355,000 Charter School Revenue Bonds. Proceeds of the bonds were loaned to the Corporation to refinance the note payable and other capital costs. The Academy is obligated under a lease agreement to make monthly lease payments to the Corporation for the use of educational facilities. The Corporation is required to make equal loan payments to the Trustee, for payment of the bonds. The bonds accrue interest ranging from 5.25% to 5.60% per annum. Interest payments are due semi-annually on January 1 and July 1. Principal payments are due annually on July 1, through 2040.

Future debt service requirements are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 135,000	\$ 364,806	\$ 499,806
2018	140,000	357,587	497,587
2019	150,000	349,975	499,975
2020	160,000	341,838	501,838
2021	165,000	333,307	498,307
2022-2026	975,000	1,522,160	2,497,160
2027-2031	1,260,000	1,228,771	2,488,771
2032-2036	1,645,000	828,333	2,473,333
2037-2041	<u>2,145,000</u>	<u>307,304</u>	<u>2,452,304</u>
Total	<u>\$ 6,775,000</u>	<u>\$ 5,634,081</u>	<u>\$ 12,409,091</u>

**Debt Covenant**

Per the loan agreement with CECFA, the Academy should carry an unrestricted cash balance of at least 7.5% of operating expenses plus long term debt service requirements for the prior fiscal year. In addition, they Academy is to maintain a Long Term Debt Service Coverage Ratio of greater than 1:10 to 1:00. As of June 30, 2016, the Academy is in compliance with these covenants.

COLORADO SPRINGS CHARTER 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](http://www.copera.org/investments/pera-financial-reports).

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

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.

COLORADO SPRINGS CHARTER 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:

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

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

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF School were \$297,344 for the year ended June 30, 2016.

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

At June 30, 2016 the School reported a liability of \$5,589,856 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.

COLORADO SPRINGS CHARTER 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 .03655%, which was an increase of .00043% from its proportion measured as of December 31, 2014.

For the year ended June 30, 2016 the School recognized pension expense of \$1,693,404. 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	\$ 73,815	\$ 233
Changes in assumptions or other inputs	N/A	\$ 78,994
Net difference between projected and actual earnings on pension plan investments	\$ 475,295	N/A
Changes in proportion and differences between contributions recognized and proportionate share of contributions	\$ 168,017	N/A
Contributions subsequent to the measurement date	\$ 158,820	N/A
Total	\$ 875,947	\$ 79,227

COLORADO SPRINGS CHARTER 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)

\$158,820 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:

<b>Year ended June 30,</b>	
2017	\$202,778
2018	\$202,819
2019	\$134,838
2020	\$ 97,465

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

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

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

COLORADO SPRINGS CHARTER 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.

COLORADO SPRINGS CHARTER 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%.

COLORADO SPRINGS CHARTER 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.

COLORADO SPRINGS CHARTER 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	\$7,246,087	\$5,589,856	\$4,212,181

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

**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](http://www.copera.org/investments/pera-financial-reports).

COLORADO SPRINGS CHARTER 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 \$16,159, \$16,418 and \$14,925 respectively, equal to their required contributions for each year.

**NOTE 8: 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.

**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 \$103,000 was recorded as a reservation of fund balance in the General Fund.

**NOTE 9: DEFICIT NET POSITION**

The Net Position of the government type activities is in a deficit position of \$4,512,231 due to the Academy including the Net Pension Liability per GASB No. 68.

**REQUIRED SUPPLEMENTARY INFORMATION**

COLORADO SPRINGS CHARTER ACADEMY

GENERAL FUND  
 BUDGETARY COMPARISON SCHEDULE  
 Year Ended June 30, 2016

	2016			VARIANCE	2015 ACTUAL
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	Positive (Negative)	
<b>REVENUES</b>					
Local Sources					
Per Pupil Revenue	\$ 3,336,991	\$ 3,253,604	\$ 3,298,160	\$ 44,556	\$ 3,286,608
Tuition and Fees	95,455	109,304	98,340	(10,964)	92,871
Grants and Donations	12,000	12,000	30,830	18,830	32,648
Interest	154	-	3,938	3,938	1,976
Other			54,943	54,943	59,590
State Sources					
Grants and Donations	151,700	198,882	213,137	14,255	176,389
Federal Sources					
Grants and Donations	-	-	1,058	1,058	41,358
<b>TOTAL REVENUES</b>	<u>3,596,300</u>	<u>3,573,790</u>	<u>3,700,406</u>	<u>126,616</u>	<u>3,691,440</u>
<b>EXPENDITURES</b>					
Salaries	1,649,259	1,575,901	1,598,312	(22,411)	1,580,120
Employee Benefits	466,240	456,381	468,686	(12,305)	423,155
Purchased Services	660,790	642,537	559,783	82,754	610,034
Supplies and Materials	161,500	124,385	234,684	(110,299)	161,995
Property	96,680	97,100	1,631	95,469	56,650
Other	-	-	43,341	(43,341)	81,526
Debt Service					
Principal	130,000	130,000	130,000	-	120,000
Interest	374,867	374,867	371,798	3,069	378,325
Reserves	-	1,106,244	-	1,106,244	-
<b>TOTAL EXPENDITURES</b>	<u>3,539,336</u>	<u>4,507,415</u>	<u>3,408,235</u>	<u>1,099,180</u>	<u>3,411,805</u>
<b>NET CHANGE IN FUND BALANCE</b>	56,964	(933,625)	292,171	1,225,796	279,635
FUND BALANCE, Beginning	<u>1,294,578</u>	<u>1,294,578</u>	<u>1,522,975</u>	<u>228,397</u>	<u>1,243,340</u>
FUND BALANCE, Ending	<u>\$ 1,351,542</u>	<u>\$ 360,953</u>	<u>\$ 1,815,146</u>	<u>\$ 1,454,193</u>	<u>\$ 1,522,975</u>

See the accompanying independent auditors' report.

COLORADO SPRINGS CHARTER 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	0.0364%	0.0361%	0.0366%
School's proportionate share of the Net Pension Liability	\$ 4,643,542	\$ 4,895,842	\$ 5,589,856
School's covered-employee payroll	\$ 1,467,630	\$ 1,513,292	\$ 1,589,032
School's proportionate share of the Net Pension Liability as a percentage of its covered-employee payroll	316.4%	323.5%	351.8%
Plan fiduciary net position as a percentage of the total pension liability	64.1%	62.8%	59.2%

See the accompanying independent auditors' report.

COLORADO SPRINGS CHARTER 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	\$ 248,807	\$ 288,382	\$ 297,344
Contributions in relation to the Statutorily required contributions	<u>248,807</u>	<u>288,382</u>	<u>297,344</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's covered-employee payroll	\$ 1,463,262	\$ 1,609,601	\$ 1,584,245
Contributions as a percentage of covered-employee payroll	17.00%	17.92%	18.77%

See the accompanying independent auditors' report.

**INDIVIDUAL FUND FINANCIAL STATEMENT**

COLORADO SPRINGS CHARTER ACADEMY

AGENCY FUND  
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 Year Ended June 30, 2016

	BALANCE JULY 1, 2015	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2016
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS</b>				
Cash	\$ 5,342	\$ 65,321	\$ 60,655	\$ 10,008
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>LIABILITIES</b>				
Accrued Liabilities -				
Due to Student Groups	\$ 5,342	\$ 65,321	\$ 60,655	\$ 10,008
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

See the accompanying independent auditors' report